ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 190 Number 5876 New York 7, N. Y., Thursday, August 27, 1959 Price 50 Cents a Copy

Changes in Key Factors in Foreign Equity Investment

By THOMAS TIMOTHY MURPHY
Assistant Dean, University of Notre Dame

Dean Murphy asserts stock market experts are viewing the recent rises with mixed emotions, accentuating the quest for more lucrative investment outlets abroad, in addition to Canada. Cites as the basic requisites for private foreign portfolio investment by Americans: (1) profit potential commensurate with the added risks; and (2) investors' awareness of such opportunities. Concludes conditions are now ripe for taking advantage of such investment opportunities, accentuated by both the Common Market, and the development of the world's underdeveloped areas. Suggests the investment trust technique and investment bankers as appropriate agents for facilitating the use of funds abroad.

America has witnessed an unprecedented price advance in equity securities in recent years. The year 1958 alone saw the Dow-Jones Industrial Average advance some 115 points. And, in 1959, through the first half of the year, another advance of more than 80 points has taken place. Stock prices of many individual issues have advanced to an even greater extent than any average of prices shows. A large percentage of equity securities have shared in the general price advances; few, in comparison to the total publicly-traded issues, have shown downward trends in this great bull market, which at the time of this writing, has reached a Dow-Jones Industrial high of 675.


Thomas T. Murphy

As new market highs are subject to frequent postings, market experts are viewing the movements with mixed emotions and forecasts. Many of the traditional warning points are studied with great care. Odd-lot trading figures are plotted and subjected to careful scrutiny for clues regarding the turning points (if any) ahead. The yield patterns of high grade

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EDITORIAL

As We See It

If anyone ever harbored the notion that the "facts" surrounding the prolonged steel strike would serve to bring about a settlement, he must by now be well aware of his error. The Federal Government has made available to the public a specially compiled set of statistics concerning profits, wages, productivity so-called, and related matters. There can be no question that the compilation of these figures was competently and dispassionately done, but they contain—could in the nature of the case contain—nothing that was not familiar to all informed observers, and indeed at least in a general way to the public at large. The union leaders have contended all along that the facts justify their stand—and now that the facts have been compiled they find them supporting their cause. The same is, of course, to be said for the steel industry.

Steel workers in this country are among the very best paid in the land, as practically everyone knows. They have been able to improve their economic position about as much as any other group of wage earners, and that, too, is well known. Steel profits have been relatively good for a number of years, and that is a fact of common knowledge. When measured against net worth in the business they do not stand at the top by any means. Indeed, they fall somewhat below the average for all manufacturing. As to results for the current year, they are better, of course, than for last year or for a number of years, but everyone knows that heavy purchasing by consumers in anticipation of a strike stoppage is at the bottom of much of that improvement.

Immense sums have been expended by the industry in recent years to take advantage of tech-

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Dispelling Some Popular Illusions About Inflation

By WINFIELD W. RIEFLER*
Assistant to the Chairman, Board of Governors of the Federal Reserve System

Reserve Board economist maintains inflation impairs growth, for the following reasons: (1) It increases instability, (2) fosters misallocation of capital, obstructing sound managerial and investment decisions, (3) Distorts the savings-investment process with harmful encouragement of over-speculation, and (4) undermines the country's international trade position. Cites past periods of growth during falling prices. Lists environmental factors actually promoting growth, as the flexible adaptation of fiscal and monetary policies; reflection of growth efficiencies in falling instead of rising unit costs; with the benefits of rising productivity broadly distributed; and avoidance of rises in unit costs exerting pressure on profit margins and selling prices.

Inflation is the enemy of growth, particularly when there is public expectation that the purchasing power of money will continue to decline. Inflation impairs growth: (1) Because it increases instability—high levels of activity cannot be sustained for long when inflation is expected to prevail; (2) Because it fosters the misallocation of capital and impairs the quality of the managerial and investment decisions on which growth is based; (3) Because it distorts the saving-investment process and encourages overspeculation; and (4) Because it undermines the country's position in international trade.


Winfield W. Riefler

The Free World has had abundant experience with all of these hazards in the postwar years. The lessons of that experience are unmistakably clear for all who wish to heed. In particular, Germany prior to 1948, Great Britain prior to 1957, and France prior to 1959, each struggled with inflation-induced instability, with misallocation of capital,

*A paper presented by Dr. Riefler at the Stanford Business Conference, Stanford, Calif.

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 30.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Jim Walter Corporation — Freeman N. Jelks, Jr., Assistant Vice-President, Johnson, Lane, Space & Co., Inc., Savannah, Ga. (Page 2)

Telefonso de Mexico, S. A. (The Mexican Telephone Co.) Jack H. Jost, of Carl Marks & Co., Inc., New York City (Page 2)

FREEMAN NAPIER JELKS, JR.
Assistant Vice President
Johnson, Lane, Space and Co., Inc.,
Member New York Stock Exchange
Savannah, Ga.

Jim Walter Corporation

The company whose securities I believe will provide "the" stock and "the" bond of the 1960's has increased its sales some 20-fold in the last five years, to an estimated $24 million—while at the same time **increasing its net profits almost 40-fold,** to an estimated $2.8 million in the fiscal year ending Aug. 31, 1959.

Freeman N. Jelks, Jr.

The Jim Walter Corporation stands like a Goliath in the boom field of "shell" housing, a type of construction ideally suited to the southern one-half of the United States but little known north of the Mason-Dixon line.

Shell houses are, logically enough, the "shell" of a house, normally a family dwelling, which has been completed on the outside while the interior construction, including plumbing and wiring, remains unfinished. Large volume and standardized production enable the Jim Walter Corporation to offer a choice of one, two or three bedroom models, ranging in price from $995 to a top price of $3,495.

In effect shell housing carries the do-it-yourself principal to its logical conclusion in the home-building field.

Handles Own Mortgage Paper

The Jim Walter Corporation is as much a finance company as a construction company. The company handles its own paper. Jim Walter homes are not sold as parts of housing developments; the buyer must own the lot on which the house is built. The Jim Walter Corporation takes a mortgage on a shell house which it builds, the land on which the house is built, and the improvements which the buyer must necessarily make to the house to make it livable.

The attractiveness of this type mortgage, which **increases** in value as the owner of the house completes his home, is borne out by the record: repossessions due to forfeited mortgages have run considerably less than 1%. The company has made an average profit of over $400 on each repossessed house on subsequent resales, and **has never had a loss** on a single mortgage.

Excellent Management

The management of the Jim Walter Corporation is extremely capable and imaginative. Jim Walter himself is 36 years of age, and the average age of the top executives of the company is approximately the same. Our firm has become very close to the management in the two years since we participated in the first general public offering of the company's securities in 1957, and know them to be an outstanding group of men.

The Jim Walter Corporation has more than 75 offices stretching like a blanket across 16 states, from the southern half of the East Coast, (Florida, Georgia, South Carolina, North Carolina, and Virginia), across the United States to Oklahoma and Arizona. Within 12 months, I believe the company will have in excess of 100 offices and will have made a big entrance in the mushrooming California housing market.

Stock in Low 30s

Trading in the low 30s, with indicated earnings of approximately $2.80 per share outstanding, the Jim Walter Corporation is selling at a price/earnings ratio knee-high to most "growth" issues whose net has moved sideways compared with Jim Walter's record:

Record of The Jim Walter Corp.

Fiscal Yr. Ending Aug. 31	Sales	Net Profits
1954	$1,061,873	$72,819
1955	1,685,149	152,984
1956	4,450,001	392,844
1957	11,785,598	1,212,010
1958	17,089,623	1,930,883
1959 (est.)	24,000,000	2,800,000

Earnings Projection

I estimate net earnings for the fiscal year ending Aug. 31, 1960 of approximately $4.2 million, and earnings in fiscal 1961 of $6 million. **In 1962 I foresee earnings of $9 million.**

A large part of these earnings will, of course, be due to the anticipated continued increase in sales. But the profitableness of the mortgages which the Jim Walter Corporation handles on its own is such that if sales should for some reason level off, (Which we do not anticipate), **profits would nonetheless show substantial increases for the next five years.**

Why? Because for each mortgage being retired today, at least 10 new ones are being written (generally for five years). We estimate that the net increase in mortgage income **alone** based on the **present** rate of construction will add $800,000 to net income after taxes in fiscal 1960, and substantially more in fiscal 1961. We believe that increased sales will result in the rest of the increase of approximately 50% a year compounded which we anticipate.

Dividend Increases

The dividend on the common stock has been increased five times in the last two years, being doubled in that time to the present rate of 20c quarterly. I believe that continued increases are likely.

9% Debentures

The Jim Walter 9% Debentures, due Dec. 31, 2000, are certainly one of the most attractive income situations available today. (These bonds were originally issued in 1954 in connection with a unit offering of stock, bonds and warrants when the company was virtually unknown).

The bonds are trading around 100-105. Overall interest to banks, financial institutions and the bonds was earned some four times in fiscal 1959, and after deducting interest to banks and financial institutions, interest on the 9% bonds outstanding was earned some 10 times. The amount of net assets available for the approximately $6½ million in bonds presently outstanding is in excess of $2,000 per $1,000 bond. If the unearned times charges were added to the assets column there would be added to the value of each bond at least $1,000 more. These figures add up to an outstanding income security in my book.

Capitalization

The Jim Walter capitalization is too complicated to detail here. Briefly, in addition to the stock and bonds, there are outstanding two classes of warrants to buy both stock and bonds which, if exercised in full, would approximately double the number of shares outstanding (there are now approximately 1,000,000 shares outstanding), and increase the amount of bonds by approximately $12 million, on payment to the company of approximately $20 million.

The Jim Walter Corporation has proven its ability to use new money at an extraordinarily profitable rate. Lines of credit now in use approach $20 million with many of the nation's largest and most sophisticated financial institutions. I believe the company will be able to use the money brought in by the exercise of warrants so profitably that the stock's potential dilution is not nearly so great as appears under a cursory examination.

If the readers of this column would like to have a more detailed analysis of the Jim Walter Corporation, I will be glad to send them one on request, together with a copy of the 1959 annual report when it is released.

To repeat, I regard this company as offering both "the" stock and "the" bond of the 1960s.

JACK H. JOST
Carl Marks & Company, Inc.,
New York City

Telefonos de Mexico, S. A. (The Mexican Telephone Co.)

This company, hereafter called TELMEX was established in 1950 by consolidation of "Empresa de Telefonos de Mexico, S. A.," an affiliate of the L. M. Ericsson group of Stockholm, Sweden, and the "Compania Telefonica & Telegrafica Mexicana, S. A.," an International Telephone and Telegraph subsidiary. I. T. & T. and Ericsson each retained a 37½% stock interest in the new company until August 1958 when they sold out their holdings of 3,179,058 shares to a syndicate of Mexican investors for a reported amount of US $24,615,446. This equals a price of $7.75 per share, cum., the May 1959 dividend of 80c. Of the total purchase price, the Mexican syndicate paid US $5,531,558 in cash with the balance payable in five annual instalments beginning July 1, 1959 (each payment US $3,816,777.60).

Jack H. Jost

TELMEX, with corporate domicile at 198 Parque Via in Mexico City, serves the entire Republic of Mexico. As of Dec. 31, 1959 the company listed 426,413 telephones in service, about 50% of them in the capital. It operates over 315,000 miles of long distance circuits, 536 telephone centrals; roughly 1,800 million miles of wire in urban cables and employs 8,052 workers.

The management is very able and aggressive. Mr. Eloy S. Val-

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Management—Its Importance In Credit Analysis

By MILTON J. DRAKE*

Senior Vice-President, The Detroit Bank and Trust Company

Detroit banker, terming management the catalyst of business enterprise, maintains it is often misunderstood. Urges bankers give more conscious attention to measuring and interpreting the management factor. Declares management weakness is the overwhelming cause of business suspension. As two crucial checks of management, Mr. Drake lists willingness to take normal business risks, and the performance record as revealed by statistical data.

Management is the catalyst of business enterprise. It is the precious ingredient which blends the skills and abilities of a group of diverse human beings into a team effort. The team turns out a good or service of economic value, and in the process makes a profit from the operation.

Milton J. Drake

Taken as a whole, American business enterprise may be regarded as the most skillful in the world. It has produced the greatest variety of goods and services, the greatest number of job opportunities, and the highest standard of living on earth. It has accumulated for itself and the people of the country the world's greatest pool of capital. Our great business enterprises and the accumulation of business capital which we have are the result of a competitive American enterprise system operating to a large extent through managers rather than owners.

Misunderstanding

In spite of the great benefits which management has brought to the American people, it is often misunderstood. Sometimes it is subjected to political persecution. At others it is maligned by Socialists and Communists who would like to usurp management's position and who, I am sure, without competition would never do the job so well. Management, of course, makes mistakes; but because management is composed of people, it is subject to all problems arising from human frailty.

Management's great importance and strength in our economy should not be concealed by its mistakes or weaknesses. It is necessary that an effort be made to analyze and sympathetically understand its immeasurable contribution to our free enterprise business system, of which it is the central core.

Nowhere should this analysis of management be made more thoroughly than in the banks of the country. It is the banks which so often render the financial support that helps management to be successful. It is also the banks which by denying help to weak or incompetent managers prevent them from extending their operations and force them to fight the competitive battle until they become successful, or are eliminated. By thus giving aid to the strong and able so that they can more effectively perform their economic function, the banks make it possible for effective management to offer more for less.

While bankers undoubtedly should pay a great deal of attention to the management factor in their credit analysis, I am afraid that many of them ignore it, or that they give little conscious attention to measuring and interpreting it, or that they take it for granted, or even lose sight of it completely in the complexities of statistical statement analysis.

Management Intangibility

Management is an intangible thing which is hard to measure. Among other things, the elements of good management consist of character and integrity, morale, and understanding of the basic problems facing the business, self-analysis, and self-criticism in an effort to bring about improvement, organization, attitudes, a proper balancing of skills and abilities, and the establishment of methods of control and measurement.

The loan officer or credit analyst should attempt to understand and evaluate these elements. He should not take management for granted, nor should he be misled by such things as family background and connections, social standing and prestige, or personality.

The extent of the analytical problem of management varies considerably between banks. For example, it will be somewhat different for the country bank as compared with the city bank because the country banker will ordinarily know his borrower better than the city banker, who may know him only casually. The country banker may place more reliance on the people with whom he is dealing and their standing in the community, and less reliance on the financial statement analysis upon which the city banker so often depends. The problem of analyzing management will also vary as between periods of prosperity and adversity. Many managements look good when conditions are good, but the question that needs to be asked is how do they act when times are not good. Do they then cry about competition, or about government interference, or about taxes, or about business conditions? Or do they get down to business and try to figure out what the causes of

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*An address by Mr. Drake before the American Institute of Banking.

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Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers

25 Park Place, New York 7, N. Y.

REctor 2-9570 to 9576

GEORGE J. MORRISSEY, Editor

WILLIAM DANA SEIBERT, President

Thursday, August 27, 1959

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613).

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $65.00 per year, in Dominion of Canada, $68.00 per year. Other Countries, $72.00 per year.

Other Publications

Bank and Quotation Record—Monthly, $45.00 per year. (Foreign Postage extra).

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Observations . . .

BY A. WILFRED MAY

MANAGEMENT BACKING THE SHAREOWNER

Midst the publics' interest in the more dramatic happenings, some important corporate aspects of the steel strike have been neglected.

A. Wilfred May

Over the years the separation of corporate management and control from ownership has been worrisome, particularly to the "liberals" concerned with financial reform. As cited during the early New Deal days by Messrs. Adolf A. Berle Jr. and Gardner C. Means in their epochal book "The Modern Corporation and Private Property," the paucity, and sometimes complete absence, of stock ownership by company directors and management has harbored the possibility of their neglect of the interests of the scattered and impotent majority of the shareholding owners. Such grasping of corporate power by management was likewise touched on by James Burnham's "Managerial Revolution" in 1941.

But, fortunately, the situation does not always work out thus abusively in actual practice. A clear example of good stockholder backing is being furnished right now in the labor-management struggle in steel. The industry's high officials, quite contrary to the dictates of their personal "public relations," and shunning the easier way of appeasement, are bitterly fighting and antagonizing the 500,000 steel workers along with their sympathizers in the community, on behalf of the unorganized and inarticulate shareholding owners. (At least in the fight over wages is the self-interest of the embattled managers seemingly being subordinated to that of the shareholding owners). How has this come about?

A major part of the explanation, we submit, lies in the much abused, (also by the corporate reformers) stock option arrangements whereby the acquisition of shares by management is facilitated; thus automatically guaranteeing the alignment of the managers with the unorganized body of stockholders.

Stock-Holding Managers

Under U. S. Steel's stock option plan in effect since May 1951, options for 1,608,610 shares have been exercised by key management. Roger Blough, President, and Robert C. Tyson, Chairman of the Finance Committee, who are in the forefront of the battle against a rise in wages, own 19,302 and 16,202 shares respectively. In the case of the Bethlehem Steel Corporation, under the Stock Option plan adopted in September 1957, options on common shares to a total of 116,600 have been exercised by directors and/or officers. And President Homer owns 1,200 shares of non-optioned stock, and Joseph M. Larkin, Vice-President in charge of Industrial Public Relations, outside the option plan owns 800 shares of common stock and $10,000 of debenture bonds convertible into common stock.

Holding their company's stock does not, of course, constitute the entire reason for management's pre-stockholder position in labor disputes. But, as in other phases, the joint ownership of stock with the resulting establishment of a common material stake, undoubtedly does go a long way toward the elimination of divergence of interest between the managers and the shareholding owners.

* * *

THE DEPTHS IN POLITICAL-ECONOMIC CHICANERY

The question raised in this column recently (Aug. 13 issue) as to whether a democracy's fiscal policies can be properly determined in a political environment, has been decisively answered by the subsequent amazing action of the House Ways and Means Committee in suspending, for the rest of the session, even consideration of the Administration's proposals for removing the interest rate ceilings on all but the short-term government bonds. Previously the legislators had at least confined their opposition to lifting the archaic interest ceiling of 4¼% on longer-than-five-year government bonds and 3.26% on Savings Bonds adopted back in the First World War days, to tacking on a quite vague "Sense of Congress" statement urging a return to bond-pegging operations by the Federal Reserve. Now, in their desire to avoid the "tight money" label or/and perhaps to foist this epithet on the political opposition, the House Democrats surely have reduced legislative integrity down to zero.

Certainly Senator Paul Douglas, who doubles as expert economist and politician, and who chaired the recent extensive hearings held by the Joint Committee of the Congress to study this very problem of government debt operations, does not approve of the House Committee's abdication from its responsibilities.

Ironically, the size of the Treasury's problem, as measured by its need to borrow $6½ billion of new money along with $85 billion for refinancing, over the next 12 months, stems directly from the previous politically motivated actions of the Congress via its creation of the budget deficits.

Also the Congress, in the face of its frequent demagogic diatribes against the interest cost of servicing the national debt, is by its present attitude itself paving the way for an increase in such servicing.

Accelerating the Inflation Engine

Surely there can be no dissent from the conclusion that the Congress' action in preventing the Treasury from selling bonds of greater-than-five-year maturity, makes of it an engine of inflation. The short-term market will be flooded with issues with yields higher than on the long-term issues—the Treasury Bills of July 15 next now are selling at a 4.35% yield, and the Treasury 2½'s of November 1961 at a 4.68% return.

The Treasury's hands will be completely tied from restoring some balance to the debt structure by the sale of longer-term issues. (Competing U. S. Government Agency bonds, as FNMA with a nine-year maturity can be bought to yield 4.59%, and 12-year FLB's at 4.65%.)

Possible Savings Bondholders' Relief Also Political

The probability is now assumed of Congressional recanting in the case of Savings Bonds, in raising their current unrealistic yield-to-maturity of 3.25% to 3.75%. This selective action surely would fit right into the politically-made mould in "doing right by the little fellow," (The 40 million Savings Bondholders will be voting again pretty soon).

There is, possibly, one area of de-flation which would follow the House's otherwise in-flation priming attitude — namely, the stock market, whence the proceeds of value-prompted liquidation will be attractively transferable into "one-year money" paying interest yielding interest of 4½% to 5%.

Named Director

Richard A. Smith has been elected a director of Plastic Materials and Polymers, Inc., Hicksville, Long Island, New York, it has been announced by George A. Gould, President.

Mr. Smith is a partner of Filor, Bullard & Smyth, New York.

E. H. Stern to Admit

John R. Jakobson, member of the New York Stock Exchange, on August 26th will become a partner in E. H. Stern & Co., 20 Broad Street, New York City, members of the New York Stock Exchange.

With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Philip M. Brabyn has been added to the staff of Lester, Ryons & Co., 110 South Euclid Street.

Joins Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

RIVERSIDE, Calif. — Duane T. Goodrick has joined the staff of Lester, Ryons & Co., 3626 Ninth Street.

The State of Trade and Industry

STEEL PRODUCTION
ELECTRIC OUTPUT
CARLOADINGS
RETAIL TRADE
FOOD PRICE INDEX
AUTO PRODUCTION
BUSINESS FAILURES
COMMODITY PRICE INDEX

For the fourth month in succession, the Consumer Price Index set a new high, it was announced Aug. 21. The July rise was 0.3%, lifting the index to 124.9 of the average for 1947-49. Goods, services, food and sales taxes are accountable for the rise. Over 1,000,000 employees, covered by the escalator clauses in their work contracts, will benefit. The employees most affected are in the automobile, farm equipment, and to some extent, in aircraft and electronic industries.

Nationwide Bank Clearings 10.4% Above 1958 Week

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by the "Chronicle" based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, Aug. 22, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 10.4% above those of the corresponding week last year. Our preliminary totals stand at $24,435,378,077 against $22,127,822,299 for the same week in 1958. Our comparative summary this week for some of the principal money centers follows:

Week Ended Aug. 22—	1959	1958	%
New York	$11,799,111,993	$10,756,936,805	+ 9.7
Chicago	1,394,153,451	1,120,047,293	+24.5
Philadelphia	1,125,000,000	1,042,000,000	+ 8.0
Boston	761,916,587	713,905,173	+ 6.7

For a detailed summary of bank clearings in U. S. A., refer to the Statistical Edition of the "Chronicle," issued Mondays. For this week's summary, refer to page 47 of the Aug. 24 issue.

Hope for Early End of Steel Strike Unwarranted

Steel negotiators are close to a complete revision of contract language as the steel strike goes into its seventh week, the "Iron Age" has learned.

But this does not mean that any settlement is near. The national metalworking weekly points out that the contract revision will not include the all-important price tag by either side.

The significance of the contract study and revision is that it provides a starting point for serious work as the top negotiators renew their discussion.

In cautioning against optimism in view of this token progress, the "Iron Age" points out that many stumbling blocks are still in the way of any settlement. These could result in new bitterness and a continued stalemate.

Problems to be overcome include: (1) The cost-of-living clause which the union wants held intact and which the steel companies are equally determined to drop; (2) the high price the union will ask in return for language changes on critical contract points.

While the talks drag on, spot steel shortages that were on the horizon two weeks ago are cropping up with more frequency, and will continue to do so.

To date, most of the major steel users have tonnage that should carry them through September. Trouble spots are showing up among parts suppliers who were unable to lay in big tonnages. Stampers are low on inventory.

The major consumer industries—automotive, appliance and farm equipment—are all making model changes. With new parts and specifications, trouble is expected from suppliers who could not plan ahead for the changes.

Outwardly, steel stocks appear ample to carry most consumers through September. But to conserve supplies, many plants will have to reduce operations at least a month before they reach the danger level of inventories.

The problem of filling pipelines after the strike's end is beginning to get attention from big consumers. It has been learned that at least one automaker is trying to line up ingots. The intent is to place them with a steel mill for immediate processing (and fast delivery) at the strike's end.

Steel imports are now coming into this country at about 400,000 tons per month. But import prices have jumped sharply since the strike. And importers are not eager to deliver orders

booked earlier at lower prices. Foreign mills are slow on shipments and don't meet schedules as well as customers would like.

More Than Half of Steel Users' Stock Will Last Till October

If the strike ends by Oct. 1, fourth quarter steel operations will peak at 94% of capacity, "Steel" magazine predicted Aug. 24.

Major markets will be as strong as they were in the first half. Rails, the only weak item, will trend upward, as will the output of capital equipment.

The ingot rate may reach its highest point of the year in November or December, but fourth quarter operations probably won't average as high as the second quarter's 91.8%. Steelmakers will need at least three weeks to get production over the 90% mark, the metalworking weekly said.

More than half of metalworking's purchasing agents say they have enough steel to last until October, or longer. But the "Steel" survey also reveals that 47% of the buyers may have problems before that time; 18% have supplies for less than three weeks.

Inventory situations vary widely among steel users—from Maytag Co., Newton, Iowa, which has enough to last well into the fourth quarter, to A. O. Smith Corp., which began laying off employees ten days ago at Milwaukee because of plate shortages. Rivet manufacturers can last another 60 to 90 days, but many users of galvanized steel are already in trouble.

Direct strike losses to the steel industry continue to pile up. "Steel" estimated they amounted to $2,136,400,000 through Aug. 24. The breakdown: Steelworker wages, $416,400,000; sales, $1,218,000,000; other losses (overhead, depreciation, and salaries of non-production workers in steel), $232,000,000; taxes, $270,000,000. Lost steel production amounted to 11,607,100 ingot tons.

There is still no serious threat to the nation's economy even with five weeks of steel strike on the record. Shipments of goods other than coal, coke, ore, and steel mill products have remained strong. Output of electric power has been setting weekly records. The automotive sector is entering a perfectly normal model changeover operation, with no ill effects from the steel strike.

Steelmaking operations last week held at 12% of capacity. Production was about 340,000 ingot tons.

The magazine's scrap price composite on No. 1 melting grade remained at $38.33 a gross ton last week. Consensus is that No. 1 grades will not decline much below current levels until at least two months after settlement of the strike.

Our steel strike worries Germany, the magazine reported. Its steel executives see no permanent sales advantages from a continuing shutdown here. They fear depressive and deflationary influences. German steel production is at a monthly rate of 2.5 million net tons, a record annual pace of 30 million tons.

American export markets continue to vanish. U. S. exports from Europe during the first half were 42% greater than they were in the like 1958 period. U. S. exports to Europe dropped 9%. It means U. S. manufacturers lost $866,694,000 in sales to European competitors.

Steel Output Based on 12.1% of Capacity

The American Iron and Steel Institute announced that the operating rate of the steel companies will average *21.4% of steel capacity for the week beginning Aug. 24, equivalent to 343,000 tons of ingot and steel castings (based on average weekly production of 1947-49) as compared with an actual rate of *20.0% of capacity and 321,000 tons a week ago [ED. NOTE: A strike in the steel industry began Wednesday, July 15.]

Actual output for the week beginning Aug. 17 was equal to 11.3% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for this week's forecast is 12.1%.

A month ago the operating rate (based on 1947-49 weekly production) was *21.5% and production 345,000 tons. A year ago the actual weekly production was placed at 1,715,000 tons, or *106.8%.

*Index of production is based on average weekly production for 1947-49.

Strike's Impact Reflected in July Steel Output

Because of the strike in the steel industry, steel production fell to 5,233,000 net tons of ingots and steel for castings during July, as compared to 10,907,634 tons in June, according to the preliminary report of American Iron and Steel Institute. In July last year, with no strike, the output was 6,442,405 tons.

The output of the first seven months of 1959 was 69,511,203 tons, against 44,172,892 tons made during the comparable part of last year.

According to American Iron and Steel Institute's index of steelmaking the July 1959 output was 73.6 in terms of the basic index of average production during the period 1947-1949. This compared with 158.4 during June 1959 and 90.3 during July 1958.

The index figure for the first seven months of this year was 142.9 compared with 90.8 during the same part of last year.

Based on the Jan. 1, 1959 capacity rating of 147,633,670 net

Continued on page 28

What Investors Should Know About Their Railroad Investments

By ROGER W. BABSON

The dean of financial advisors apprises investors on what has and has not been done by the rails and also furnishes advice regarding their railroad holdings. Rail stockholders are advised to sell and bank their funds until they can take advantage of the next crash in industrials. Rail bond holders are advised to stay put. Rails themselves are urged to get into the real estate and advertising business.

The Boston & Albany (New York Central) and the Boston & Maine railroads are asking to drop scores of trains and stations. Increased fares are not the solution. People simply will not ride the trains if fares are increased further. I have just returned from Arizona on the swankiest train—the Santa Fe's "Super-Chief." There were 54 passengers in eight beautiful cars hauled by two engines and a crew of ten men. The passenger business will gradually decline to almost no riders. Now the riders are 90% old people; the young people travel in automobiles, buses, and planes.

Roger W. Babson

Railroads Are Doing Everything To Reduce Costs

The railroads have bought new passenger cars, which are air-conditioned. But they are cutting out checking trunks on many trains and are closing express offices. This saves carrying baggage cars and men to handle baggage, both at the stations and in the trains. Even the freight business is falling off, although the railroads are running faster freight service and adopting "piggyback" transport from point of loading to final destination. Now electrical freight yards are being built and salesmen are calling on shippers for business. Freight business may again increase, although the new Federal highways will be another handicap.

The railroads, however, will successfully compete with the newspapers, magazines, and billboards in selling advertising space. In dining cars, if there are any waiters, they will not bother with table linens; but will use only paper napkins and place mats. On these will be printed advertisements of the foods we are served! All stations and much right-of-way will be sold for advertising space, although this income may gradually decline as passengers become fewer. Freight cars and freight yards, however, offer some advertising possibilities for both national and local products.

What More Can the Railroads Do To Get Income?

The railroads are the largest real estate owners in the United States. This is true not only of the Santa Fe, the Union Pacific, the Northern Pacific, and the Southern Pacific, but of every one of the 700 different railroads now operating. Land owned but not now used by the railroads could be sold to pay up all their bond issues. Selling this land would not only save them interest and taxes, but would benefit the communities in which these 700 railroads operate. The railroads should be allowed to consolidate and raise or lower their rates of fare and freight charges.

Railroads having large terminals will stop trains 1,000 feet farther out than the present stops; hence, unless there are more "red caps," passengers will have to carry their bags farther. This will give the railroads some wonderful property, however, to rent for supermarkets, drive-in theatres, bowling allies etc. in the hearts of the cities, irrespective of the decrease in passengers. These, moreover, could be two-story buildings, if desired, which would be readily financed by insurance companies.

Railroads Are Necessary

We must have the railroads for heavy freight. They are the life blood of the nation. This was proved during the two World Wars. When the railroads had a monopoly, they abused the people. They are now suffering from this but this will all be changed. It will be changed by greater efficiency, fairer labor and tax laws, and by their being given freedom to run their own business as do the bus companies, trucking concerns, airplane companies, and taxis with which they must now compete.

Now a word—in closing—to investors: In most instances, you who hold railroad stocks might do well to sell them, putting the money in a bank until industrial stocks have their crash in price; then reinvest in good dividend-paying industrial stocks. You who hold railroad bonds should probably keep them. When the railroads wake up to the advantages of getting into the real estate and advertising business, most of these railroad bonds should be paid off at par.

Berger Co. Formed In Wash., D.C.

WASHINGTON, D. C.—Berger & Co. has been formed with offices at 816 Connecticut Avenue to engage in general corporate financing, specializing in providing venture capital funds. Irving D. Berger is a principal of the firm.

L. A. Caunter Adds Two

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Herman Friedland and Nick Russe have been added to the staff of L. A. Caunter & Co., Park Building.

Savings Bank Operations Under The Federal Reserve's Policies

By JOHN M. OHLENBUSCH*
Senior Vice President,
The Bowery Savings Bank, New York City

Prominent Savings Bank official reports his institution's desistance, because of the risks involved, from over-playing the Government Bond market's swings to take advantage of changes in Reserve Board policy. Does, however, pursue policy of shifting from one class of securities to another, as between Treasury issues and corporates, particularly for the production of greater long-term income. Uses Government Bonds as a yard-stick against which other securities may be measured. Decries, as both not in the nation's best interests and unlikely to be successful, current proposals for the Federal Reserve to assist the Treasury by purchasing U. S. securities of varying maturities. Advocates raising of Government Bond yields to lessen stock market speculation. Concludes if Government Bond yields are out of line with the market, once "mouse-trapped" investors would avoid Treasury's future offerings.

In the management of any investment account there always exists a strong temptation to try to outguess the market by buying securities when they are low and selling them when they are high. In the field of investing in bonds, this kind of a policy can, and frequently does, lead to very substantial shifts in maturities. When prices for bonds are rising, long-term bonds will usually rise faster and further than short-term obligations. Conversely, in periods of declining bond prices or rising interest rates, long-term bonds again travel through a much wider arc and short-term obligations afford much better protection.

John M. Ohlenbusch

Federal Reserve policy, more often than not, is directed at changes in short-term interest rates. Because of the fluidity of investment funds, however, and because the capital needs of business frequently coincide with its needs for short-term accommodations, long-term interest rates tend to move in the same direction as short-term rates. Thus, Federal Reserve policy which might call for a condition under which the short-term money market might be allowed to tighten itself, will frequently find reflection in the capital markets. An institution such as ours which might attempt to play the swings in the market in this manner might, if successful, produce outstanding results. This has been particularly true during the post-war years when interest rates in general have been increasing. However, we have examined such a policy and have concluded that we would rather not make it a major element in our investment operations. The risks in such a program can be very substantial, especially if one should make a wrong guess and the trend in interest rates should turn differently than had been anticipated.

*From the statement of Mr. Ohlenbusch before the Joint Economic Committee, Washington, D. C., July 29, 1959.

On the other hand, one should not conclude from the above statement that we simply buy long-term bonds and hold them to ultimate maturity. We do make considerable shifts in our investment holdings, but the manner in which we do this, we feel, involves considerably less risk to our depositors.

Shifts Made

Without regard to changing substantially our over-all maturity distribution we will, at times, make important shifts from one class of securities to another. The beginning of the post war era, for instance, found us with a bond investment portfolio mostly in U. S. Government securities. Since that time, our Government bond holdings have been reduced both in quantity and even more substantially as a percentage of total assets. However, there have been three or four times during these years when we have regarded it advisable to shift out of substantial amounts of other bond holdings to purchase U. S. Government obligations.

At the outset, I must say that we have been prompted in these actions by what we believe to be the best interest of our depositors, but we also believe that functioning in this manner we have made a contribution to the Treasury's debt management policies, without running contrary to the monetary policies of the Federal Reserve.

Two Hypothetical Cases

Let me explain by reference to two hypothetical cases how this sort of thing works advantageously. The first case I am going to give you is, we might say, an idealized version of our objective which will set forth clearly the profit to be gained in this kind of operation. The second case will be more typical of what has happened in postwar years when, in general, interest rates have been rising and bond prices have been declining.

To illustrate the first case, let us assume that we own the bonds of the XYZ Corporation and that these bonds are 3% bonds due in 20 years. These bonds were purchased by the Bank at par and are currently selling in the market at this same price. Let us assume now that the U. S. Treasury sees fit to offer a 20-year bond in the market and concludes that the proper offering price for such a security is par for a 2¾% bond to yield 2.75%. Secretary Anderson, in a previous appearance before your Committee, demonstrated how the issuer of new debt securities has to offer his obligations at somewhat of a discount or at a little better rate than outstanding obligations. He also stated very clearly why this is necessary.

Under our investment policy we have been investing our funds in long-term securities as they were received. We have not been accumulating any large sums in anticipation of the Treasury's offering of long-term securities. However, knowledge of the past relationships between different classes of bonds indicates that here is an opportunity for a profit. We therefore sell the bond of the XYZ Corporation at par and we purchase the Treasury's 2¾% bond. In the light of the history of the relationship between Treasury obligations and high-grade corporate obligations this spread in yield of one-quarter of 1%, or 25 basis points as we refer to it, is too narrow. In all probability it will widen out to somewhere nearer 50 basis points and, possibly even more. Without regard to the intervening time necessary for these bonds to readjust themselves, let us assume now that the spread has widened out to our desired 50 basis points or one-half of 1% in yield. This could mean that our Treasury bond, which was purchased at par, is now selling to yield 2.50% and, at this price, can be sold at 103.92. Our XYZ corporate 3% bond can be repurchased at par. Our income from now on is the same 3% that it was before the XYZ corporate bond was sold and we have made a profit in the Treasury obligation of 3.92%. This calculation, of course, presupposes no lapse of time between the two transactions and no allowance has been made for the lower income while holding the Treasury obligation. These things, of course, do not happen simultaneously as I have described, but the assumption of the simultaneous transaction serves to point up the benefit.

In addition to the disregard of the lapse of time, these transactions never work out as ideally and as simply as I have stated the case above. More frequently these transactions have involved the taking of losses rather than the taking of profits, because, since 1946, generally speaking, we have been in a declining bond market. This is how the above transaction might work out in a declining market. Our XYZ 20-year, 3% corporate bond might have been purchased at par and sold at a price to yield 3.25%, a price of 96.34. Our assumption as to the spread in yield calls for the purchase of a 20-year Treasury 3½% bond at par. It will be noted that in this transaction we have the same spread between the two bonds of 25 basis points as we had in the prior case. Now again, disregarding the lapse of time, let us assume a continuation of the decline in the bond market with a widening in the spread between our corporate obligation and the Treasury bond. Let us now assume that we can sell our Treasury bond at a 3.75% yield or a price of 96.50. Under the assumption that the spread between the two bonds has widened to a half of 1% or 50 basis points, our corporate bond can be repurchased to yield 4.25% or at a price of 83.27.

Reviewing this transaction we can see that in the sale of our corporate bond we had to take a loss of 3.66 points. When we sold the Treasury bond we took a further loss of 3.50 points. The total losses we have taken thus amounted to 7.16 points. Furthermore, as in the previous transaction, we have been able to take cash out of our investment. Thus, when we sold the corporate bond at 96.34 and bought the Treasury at par, $3.66 (per hundred dollars of investment) had to be added to our investment. In the second set of transactions, however, our sale was made at 96.50 and the repurchase of the corporate bond was made at 83.27. At this point, we were able to take 13.23 points out of our investment. Thus, we have available net cash of 9.57 points. We have had total losses amounting to 7.16 points but, instead of having the corporate bond on our books to yield us 3%, we now have the corporate bond on our books to yield 4.25%. Our future income is going to be considerably larger.

There is one further advantage in this kind of operation and it comes about as follows: In the case I have just described to you, the market value of the corporate security involved here declined from the price at which it was purchased of 100 all the way down to 83.27. It has declined in price by 16.73 points while we took losses of only 7.16 points. Thus we conclude that we have avoided depreciation of 9.57 points.

This latter case, as I have said, more nearly exemplifies how this business of shifting from one security to another has worked in recent years. The case I have cited was one involving corporate bonds and U. S. Government bonds. In our investment practices we have not confined our activities only to these two groups. This kind of thing is possible as between state and municipal bonds on the one hand and Governments on the other. We have been doing it, with some degree of success, with Government agency obligations and Treasury bonds. Opportunities have arisen as between one issue of U. S. Government bonds and another.

Buying Low and Selling High

Earlier I had said that the way to invest profitably is to buy when securities are low and sell them when they are high. That is precisely what we are trying to do except that "high" or "low" is determined by the price or the yield of what we are buying in substitution. In U. S. Government securities we have a security without risk as to credit. All other obligations, to greater or lesser degrees, reflect some element of credit risk. Thus, Government bonds become an excellent yardstick against which other securities may be measured.

We recently thought it might be interesting to make a review of our portfolio as it was managed in the post war years, giving effect to these losses and to the income we have derived from our securities holdings. This has been done for the years 1946 through 1958 and is presented herewith as Exhibit I. The first column of this Table shows the operating income the bank has derived from securities (for most years, the coupon interest, less the amortization of premium or discount). The second column shows the net bond profits or losses. The third column combines the first two to show the net income. Thus, net income, after deducting losses, has been at the average annual rate of 2.43%. At the beginning of this period the bank's operating income from securities was at the rate of 2.44%. Thus, if we had done nothing other than hold the securities which were in our portfolio on Jan. 1, 1946, we would have had a return which was almost identical with the return, after deducting losses, as the portfolio was managed. The reason, of course, was that the willingness to accept the losses permitted the bank to increase its operating income from securities from the initial 2.44% to the average of 2.71% for the 13-year period. Our operating income from securities at the end of 1958 stood at 3.57% in contrast to the 2.44% at the beginning of the period covered. In other words, had this program been stopped at the end of 1958 we could have concluded that substantially all of our losses had been made up by increased income and from that point on we would be able to enjoy an income of 1.13% more than it was at the beginning of the period.

At the end of 1958 the unrealized depreciation existing in our bond investment account amounted to 5.45% of the funds so invested. Had the bank done nothing throughout this period and retained its 1946 investments, it is estimated that the depreciation would have amounted to more than 12%. Just as in the hypothetical case described to you previously there was indicated a measure of market depreciation which had been avoided, similarly, here with the over-all management of our account, the market depreciation which has been avoided can be estimated at 6.55%.

So much for the benefits to the Bowery Savings Bank derived from this kind of operation in bond investments. What are the broader implications? What are the economic effects of what we have been doing?

We think they have been good. Since most of these transactions have involved U. S. Government securities, we think a real contribution has been made to the Treasury's debt management program. When corporate bonds have been at their highest price relative to Governments, it has usually been at periods immediately following flotations of new long-term securities by the Treasury. These periods have frequently found us selling corporates and in effect sustaining the Government bond market. On the other hand, when the Treasury has not been in the market for a long period with a new long-term offering, and when flotations of new corporate securities are heavy, we have become sellers of Governments and purchasers of corporates.

We think this program has been of benefit to the Bowery Savings Bank, has not been inconsistent with the monetary objectives of the Federal Reserve Board and has been of assistance to the Treasury in its debt management problem.

Just one thing remains to be discussed. I am sure no one would advocate the return to the era when the Federal Reserve system was pegging the Government bond market and taking nearly unlimited quantities of long-term bonds at a fixed price. Much thoughtful consideration has been given, however, as to whether the Federal Reserve system should not assist the Treasury's debt management problems by purchasing United States Government securities of varying maturities. I assume here that such a program would not involve additional debt monetization in that the Fed would offset purchases of long-term bonds with sales of Treasury bills or changes in reserve requirements thereby leaving unchanged total Federal Reserve bank credit. I believe the thought is that this action would permit the Treasury to float new issues of long-term bonds at a lower rate than would otherwise be the

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The Build Up at Billups

By DR. IRA U. COBLEIGH

Enterprise Economist and Author of "How to Get Rich Buying Stocks"

Summarizing the extent, progress and recent financing of one of the largest independent distributors of gasoline in the United States.

There are about 183,000 retail gasoline service stations in the United States. Of these, tens of thousands of course are owned, leased or operated under franchise by the major oil companies. One of the biggest "independents," however, and by far the most aggressive and imaginative sales chains is the Billups Organization, now operating some 318 stations in 13 states, either through ownership or lease, or through franchised Billups or independent dealers.

Ira U. Cobleigh

Three Billups brothers started the whole thing off in 1926 with a 2-pump service station in Carrollton, Miss., which they ran night and day under a slogan "We Sell for Less." (They still do!) But early in the business the Billups boys started to sell other things besides their own brand of gas. First the standard accessories, tires and batteries; then seat covers and in due course, the most dazzling array of merchandise ever purveyed by tank jockeys. Nothing is too bizarre or too novel for the merchandise display section at a Billups' station. They've sold a few million goony birds at 29c, king size teddy bears at $9, shrubbery, plastic houseware, dolls, toys, wagons and gas trucks (with Billups' advertising), Indian moccasins, and charcoal.

W. L. (Buddie) Billups, now Chairman of the Board of the two main Billups' companies, says a customer responds to five things: "Service, competitive pricing, product quality, spectacular display and recognized value." And he makes this slogan stick. Selling gas under the Billups and Star labels, the stations are usually quoting around 2c under the price charged by the majors—except on opening day for a new station when the price may be 4c or 5c a gallon below competition. Motor oils are sold some 10c a quart below the majors.

About 80% of total sales are in gas; the balance in what the trade calls TBA (tires, batteries and accessories including, in the case of Billups, the 500 odd novelty items mentioned above). To get an idea of total volume Billups probably is selling around 200 million gallons a year, at least 200,000 tires and 50,000 batteries. Billups in addition is one of the largest distributors of seat covers in the land.

You can easily see that the key to Billups success is merchandising moxie, administered by industrious personnel with plenty of incentive. Retail men get a flat salary plus commissions on everything they sell, except gas and kerosene. Each station has two managers and two work forces—a day and a night shift. Not only is the incentive of the commission a stimulus, but promotion at Billups is almost always from within.

According to the Billups formula the least quota for any station is 20,000 gallons of gas a month. Many stations sell over 75,000 gallons, and one station sold 63,000 gallons in the first two days it was open. Lubrication takes quite a bit of time so Billups doesn't stress it. When an oil change is requested the matter is briskly attended to. Where possible the driver or passengers are encouraged to step out of the car to stretch and, more specifically, to get exposed to the merchandise on display. There's more profit in a $9 teddy bear, than in a tankful of gas!

Apparently all these techniques of service and sales have been working out very well since Billups is growing fantastically, taking on competition in stride and moving ahead each year in sales and net profits.

Within the past year and a half, several dozen partnerships and separate corporations making up the Billups Organization were combined into two main holding companies. Billups Eastern Petroleum Co. covers the operation of about 117 stations in the States of Georgia, Florida, South Carolina, North Carolina, Virginia and Delaware. Billups Western Petroleum Co. covers the operation of about 195 stations in the States of Alabama, Louisiana, Mississippi, Missouri, Texas and Tennessee. With the formation of these two main companies there were public security offerings of both bonds and stocks and investors were afforded opportunities to share in the rising profits of these quite unique merchandising organizations.

Billups Eastern was formed first and, under date of July 31, 1958, there were offered, by prospectus, units consisting of $1,000 par amount of 7% debentures and 20 shares of common for $1,000; and there was also an offering of 600,000 shares of common at $5. The 7% coupon on the debentures proved attractive, and these debentures sell today at 88 to yield 7.7%. Billups Eastern common has earned well, now pays a 50c dividend and sells at 6⅝. For those buyers who have been looking for high yielding securities these Billups issues may have some appeal, particularly when the remarkable growth rate of this enterprise is taken into consideration. From January of 1953 through March 31, 1958 earned surplus of Billups Eastern had increased by over $1½ million.

Billups Western was financed this Spring through the sale of $5 million 6% participating debentures due 5/1/84, and 1,000,000 shares of common in units of one $10 debenture and 2 shares of common for a subscription price of $22.20. In addition 50,000 shares of common were publicly offered at $6.10 per share. (The prospectus was dated May 27, 1959). A feature of the debentures is that they share in earnings equal to 10% of the amount by which consolidated net income of the Company and Subsidiaries may exceed $1,000,000 in the preceding fiscal year. These debentures are currently quoted at 83 and Billups Western common now sells at 6¾ with an indicated 48c dividend.

Persons attracted to the foregoing securities are urged to refer to the original offering prospectus in each case for full details and description. Many companies were consolidated into these two; there are some quite complicated licensing agreements; and senior bonds, preferred shares and certain warrants included in the financing were not above described, primarily because they were privately placed.

There can be little doubt that these companies are moving ahead. As their securities become seasoned in the market (present trading is over-the-counter) new buyers may well be attracted by the prospect of generous cash dividends and rising earning power.

Billups Organization has long been regarded as a shrewd buyer of petroleum. Presently principal supplies for Billups Eastern come from Delhi Taylor; and for Billups Western from Eastern States Petroleum of Houston. Sizable purchases have also been made from Cities Service. Billups does about 80% of its own gas hauling in a fleet of over 100 trucks, making direct delivery to each station.

The way these Billups ventures are heading, expansion seems certain to continue. $100 million in annual gross, and new stations in a dozen more states are in the realm of probability. "Fill up with Billups" makes quite a slogan; and they have almost everything behind the pump but a stock exchange ticker! A Billups' unit bears about the same relationship to a standard gas station as a London apothecary shop does to a Rexall drug store!

Joins C. R. Mong

(Special to THE FINANCIAL CHRONICLE)

MENLO PARK, Calif.—John J. Redlien is now with C. R. Mong Associates, 1139 Chestnut Street.

Paine, Webber Adds Norman de Planque

Norman de Planque, formerly new business manager for W. E. Hutton & Co., has joined Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange, as an executive in the corporate finance department, it has been announced by Lloyd W. Mason, managing partner.

Mr. de Planque held positions at Manufacturers Trust Co. and Drexel & Co. before joining the underwriting department of W. E. Hutton & Co. in 1943.

Form Mayer, Morgenstern

Mayer and Morgenstern has been formed with offices at 25 Broad Street, New York City, to engage in a securities business. Partners are William D. Mayer, member of the American Stock Exchange, and Joseph Morgenstern.

Forms Progress Inv.

COLUMBIA, S. C. — Robert L. Brown is engaging in a securities business under the firm name of Progress Investors. Offices are at 54 Downing Street.

H. M. Richardson Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Harry M. Richardson is engaging in a securities business from offices at 704 Market Street.

Dealer-Broker Investment Recommendations and Literature

IT IS UNDERSTOOD THAT THE FIRMS MENTIONED WILL BE PLEASED TO SEND INTERESTED PARTIES THE FOLLOWING LITERATURE:

Aerial Surveying—Report—Regent Securities Corp., 15 William street, New York 5, N. Y.

Bond Yields and Money Rates 1911-1959—Bulletin—C. F. Childs and Co. Inc., 1 Wall Street, New York 5, N. Y.

Burnham View — Monthly Investment Letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available in current **Foreign Letter.**

Japanese Stock Market—Study of changes in postwar years—In current issue of "Nomura's Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also available is a review of the outlook for Plant and Equipment Expenditures in Japan for 1959 and brief analyses of **Mitsubishi Heavy Industries, Nippon Flour Mills Co., Iwaki Cement Co. and a survey of the Steel Industry.**

Japanese Stocks—Current Information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

New York City Bank Stocks—Comparison and analysis of 12 banks—Laird, Bissell & Meeds, 120 Broadway, New York 5, New York.

NYSE Daily Stock Charts—Individual charts to subscribers selection—$5.00 per stock per year on minimum order of 20 stocks; $4.00 per stock per year for 50 to 100; $3.25 per stock per year for 100 or more—Traders Research Incorporated Arcade Bldg., Suite 375-32, St. Louis 1, Mo.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 20-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Railroad Equipment Industry — Analysis — Purcell & Co., 50 Broadway, New York 4, N. Y.

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Air Express International Corp.—Brochure—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Allied Chemical Corp.—Memorandum—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a memorandum on **Bridgeport Brass Co.**

Addressograph Multigraph Corporation — Analysis — Jesup & Lamont, 26 Broadway, New York 4, N. Y.

Anheuser-Busch, Inc.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill. Also available are memoranda on **Foote Bros. Gear & Machine Corp., Kaiser Steel Corp., New England Gas & Electric Association and United Insurance Co. of America.**

Associated Testing Laboratories, Inc. — Analysis — George, O'Neill & Co., Inc., 30 Broad Street, New York 4, N. Y.

Boise Cascade Corporation—Study—Filor, Bullard & Smyth, 26 Broadway, New York 4, N. Y.

Budd Co.—Review—Alkow & Co., Inc., 40 Exchange Place, New York 5, N. Y.

Cleveland Electric Illuminating—Review—Bache & Co., 36 Wall Street, New York 5, N. Y. In the same circular are reviews of **Idaho Power** and **West Penn Electric.** Also available is a bulletin of selected issues.

Consolidated Water Power & Paper Company—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Detroit Tractor, Ltd. — Bulletin — Willis E. Burnside & Co., Inc., 55 Broadway New York 6, N. Y.

Draper Corporation—Analysis—Schweickart & Co., 29 Broadway, New York 6, N. Y.

General Merchandise—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

W. R. Grace & Co.—Anaylsis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Halliburton Oil Well Cementing Co.—Memorandum— R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y.

Hammermill Paper—Survey—Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same circular is a review of **Glidden Company.**

Jamaica, B. W. I.—Review—Bank of Montreal, Montreal, Que., Canada.

Loew's Inc.—Analysis—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

W. L. Maxson Corporation—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

McCandless Corporation—Analysis—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y.

Meredith Publishing Company—Report—Stone & Webster Securities Corporation, 90 Broad Street, New York 4, N. Y.

Oklahoma Natural Gas—Report—Thomson & McKinnon, 2, Broadway, New York 4, N. Y.

Pacific Gamble Robinson Co. — Bulletin — De Witt Conklin Organization, Inc., 120 Broadway, New York 5, N. Y.

Pepsi Cola Company—Analysis—Parrish & Co., 40 Wall Street, New York 5, N. Y.

Philadelphia & Reading — Analysis — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Pittsburgh National Bank—Analysis of the proposed consolidation of Peoples First National Bank & Trust Company and Fidelity Trust Company—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Rochester Telephone Corporation — Data — Hornblower & Weeks, 40 Wall Street, New York 5, N. Y.

Royal Industries, Inc.—**Analysis**—Woolrych, Currier & Carlsen, Inc., 210 West Seventh Street, Los Angeles 14, Calif.

Sealed Power Corporation—Analysis—A. G. Becker & Co., Incorporated, 60 Broadway, New York 4, N. Y.

Shawinigan Water & Power Company — Analysis — Ross, Knowles & Co., Ltd., 25 Adelaid Street, West, Toronto, Ont., Canada. Also available are studies of **Steel Company of Canada, Ltd. and Canada Cement Co. Ltd.**

Texaco, Inc.—Memorandum—J. A. Hogle & Co., 40 Wall Street, New York 5, N. Y.

Texas Gas Transmission—Data—Stanley Heller & Co. 30 Pine Street, New York 5, N. Y. In the same circular are data on **Clevite Corporation.**

Traders Finance Corporation Ltd.—Analysis—McLeod, Young, Weir & Company, Ltd., 50 King Street, West, Toronto, Ont., Canada. Also available is an analysis of four Canadian Integrated Oil companies (**Imperial Oil, British American Oil, Texaco Canada,** and **Canadian Oil Companies**).

U. S. Freight Co.—Report—A. M. Kidder & Co., Incorporated, 1 Wall Street, New York 5, N. Y. Also available is an analysis of **Holiday Inns of America, Inc.**

Warner & Swasey — Analysis — Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **Beech-Nut Life Savers, Inc., Railroad Freight Car Loadings,** and a memorandum on **Interchemical Corp. Corp.**

Wesco Financial Corporation — Analysis — William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

Wizard Boats of Tennessee Inc.—Memorandum—Berry, Douglas & Fitzhugh, Inc., Stahlman Building, Nashville 3, Tenn.

Railroad Securities

Western Pacific Railroad

Western Pacific Railroad has experienced a drop in revenues from U. S. Government traffic this year. However, traffic from other sources has more than offset the decline. Total freight revenues for the first six months of the year amounted to $25,404,842, a gain of $3,081,314, or 13.8% above the like 1958 period.

The gain in revenues reflects the improvement in commercial business and the growth of industrialization in the service territory. Of course, second half results will be adversely affected by the steel strike.

The road recently authorized the purchase of six new 2,000 H-P locomotives at a total estimated cost of $1,303,000. These new units are scheduled to be delivered around Oct. 1. They will be of new design and have improved fuel consumption characteristics, with the result that normal maintenance is expected to be materially reduced. It is estimated that three of the new units can do the work of four of the older ones and unit mileage should be reduced by some 25%, thus cutting operating expenses.

To meet the demands for inculated box cars and maintain the road's competitive position, the carrier is purchasing 100 new cars equipped with special floors, roller bearings and DF (damage free) loading devices at a cost of $1,600,000. It is expected the new cars will be delivered around the end of this year.

Because of the improvement in earnings, cash position and the outlook for the balance of the year, Western Pacific increased its budget by $581,050 to provide for track and yard improvements, the purchase of maintenance of way machinery and for equipment modifications. The combined total of expenditures called for by the original and additional budgets amounts to $3,003,150, which still is considerably below the average for the past few years. The road plans to use a part of these funds to start modernization of the diesel locomotive maintenance shops at Oroville, Calif., to obtain greater efficiency and to further reduce the cost of diesel maintenance which already is one of the lowest for any carrier in the country as measured by a unit basis. The total cost of this project is estimated at $1,200,000, of which $300,000 will be spent this year. The road estimates that when this work is completed in 1960, it should provide a return of around 19% on the investment.

The Western Pacific has been active in attracting new plants and industries to its territory. The System has industrial property valued at $20,000,000, much of it purchased and being paid for out of net income.

For the first six months of this year, Western Pacific reported net income of $2,583,785, equal to $4.46 a common share as compared with $1,383,884 or $2.39 a share in the like 1958 months. For the period the road reported that, excluding tax deferments account of accelerated amortization, net income per share was $3.73 compared with $1.24 a share on the same basis in 1958.

Coming Events

IN INVESTMENT FIELD

Sept. 10-11, 1959 (Chicago, Ill.)
Municipal Bond Club of Chicago 23rd Annual Field Day—Sept. 10: Brunch at Welty's Restaurant; luncheon at Chicago Yacht Club; cocktails and dinner at University Club. Sept. 11: Field Day and Outing at Elmhurst Country Club.

Sept. 11, 1959 (Rockford, Ill.)
Rockford Securities Dealers Association annual fling-ding at Mauh-Nah-Tee-See Country Club.

Sept. 17-18, 1959 (Cincinnati, Ohio)
Municipal Bond Dealers Group of Cincinnati annual outing — cocktail and dinner party Thursday at Queen City Club; field day, Friday, Kenwood Country Club.

Sept. 23-25, 1959 (Milwaukee, Wis.)
National Association of Bank Women 37th annual convention at the Hotel Schroeder.

Sept. 24, 1959 (New York City)
Corporate Transfer Agents Association 13th annual golf tournament and outing at Colonia Country Club, Colonia, N. J.

Sept. 28-29, 1959 (Toronto, Canada)
Association of Stock Exchange First Board of Governors meeting at the Royal York Hotel.

Oct. 14-17, 1959 (Philadelphia, Pa.)
Consumers Bankers Association 39th annual convention at the Warwick Hotel.

Oct. 20-23, 1959 (Hollywood-by-the-Sea, Fla.)
National Association of Supervisors of State Banks annual convention at The Diplomat Hotel.

Oct. 22, 1959 (Cincinnati, Ohio)
Ohio Group of Investment Bankers Association annual fall meeting.

Oct. 25-28, 1959 (Miami Beach, Fla.)
American Bankers Association Annual Convention.

Nov. 1-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention of the Boca Raton Club.

Nov. 29-Dec. 4, 1959 (Bal Harbour, Fla.)
Investment Bankers Association Annual Convention at the Americana Hotel.

April 6-7-8, 1960 (Dallas, Tex.)
Texas Group of Investment Bankers Association of America 25th annual meeting at the Sheraton Dallas.

American Investments Increase Sterling's Vulnerability

By PAUL EINZIG

American corporate and individual investments in Britain represent a danger to sterling unconnected with the inherent confidence in sterling. In making this point, Dr. Einzig sees changes in stock yield differentials on both sides of the Atlantic raising real or imaginary fears of sterling depreciation and, in turn, causing buying forward dollars or selling forward sterling besides realization of investments by some individuals. As protection against increasing rounds of hedging by investors, the noted columnist recommends his country reinforce sterling with still larger gold reserves. The writer favors the inflow of capital but is mindful as to how it can generate a false feeling of optimism.

LONDON, Eng. — American investment in British industries — whether it assumes the form of the acquisition of British equities by individual American investors or of direct participation in British firms by American firms — has been to some extent responsible for the firmness of sterling in 1959 and for the non-stop increase in the British gold and dollar reserve. It has also contributed towards the rise of equities in London. The process is likely to continue. Those who are incapable of seeing beyond their noses welcome it without qualification as a source of strength for sterling and for the British economy. Those capable of seeing a little beyond their noses realize that, once the capital is invested, the payment of dividends on the American capital will constitute a considerable debit item on Britain's current balance of payments.

Paul Einzig

Sterling Becoming More Vulnerable

There are, moreover, other aspects of the situation that is developing as a result of the increase in American investment in Britain. Few people realize the extent to which sterling is apt to become increasingly vulnerable with the growth of American capital in Britain. While some of the British equities acquired by American investors are likely to be held more or less permanently, a large proportion of it is likely to be realized as soon as a setback in Wall Street, or a rise in the London Stock Exchange unaccompanied by a corresponding rise in Wall Street, has reduced the differential between the yields on both sides of the Atlantic. The increase in American holdings tends to widen the range of fluctuations on the London Stock Exchange. It also exposes sterling to sudden withdrawals of American capital unconnected with the degree of inherent confidence in sterling.

Such considerations do not operate as far as investment in Britain by American industries is concerned. The capital invested here is meant to remain here more or less permanently, regardless of fluctuations on the two Stock Exchanges, and regardless of fluctuations of the sterling-dollar rate. American firms acquiring an interest in British firms, or establishing a subsidiary firm in Britain, can afford to disregard any such ups and downs, for the sake of benefiting from being established in the sterling area market. This does not mean, however, that the accumulation of this form of American investment in Britain does not represent dangers to sterling.

It is true, American firms are not likely to sell out their investment in British firms the moment there is a sterling scare. What they are likely to do is to hedge against a depreciation of sterling by buying forward dollars on such occasion. Even though they have the status of residents in Britain from the point of view of the exchange regulations, they are entitled to cover legitimate risk, and the possession of sterling assets is regarded as legitimate interest which can be protected by hedging. In any case, even if the affiliated firm in Britain were precluded by an interpretation of exchange regulations from buying forward dollars, there is nothing to prevent the parent firm in the United States from selling forward sterling whenever a devaluation is feared.

This was in fact done on a considerable scale during periods of sterling scares in recent years. In banking circles in London forward buying of dollars by the "Great West Road" (a district outside London where a number of American branch factories are situated) has long been considered as one of the familiar indications of a new flight from the pound.

Even individual American investors are in a position to safeguard themselves against a real or imaginary risk of a sterling depreciation, without having to realize their investments, by selling forward sterling during apparently dangerous periods. By such means they stand to benefit by a further rise on the London Stock Exchange without exposing themselves to capital losses through a depreciation of sterling. This was in fact done on an appreciable scale during the sterling scare of 1957. In the meantime American investment in sterling equities has greatly increased. Even though at present sterling enjoys the confidence of overseas investors, sooner or later another scare is bound to occur, and when it does occur the factor of hedging by American investors will be much more important than it was in 1957 or on previous occasions of flights from the pound.

The potential extent of such operations is certain to continue to increase as a result of a further increase in American investment in Britain. Nor is the factor purely American in character. There are indications that continental investment in British equities is on the increase. Such overseas holdings are likely to increase considerably as a result of a Conservative victory at the general election. The result of this process, if it should go very far, is that on the occasion of the next sterling scare the relative extent of forward selling of sterling due to hedging by investors will be higher, and the relative extent of pure speculation, interest arbitrage, and commercial hedging will be correspondingly lower. It is a change which deserves the attention of those responsible for the shaping of British foreign exchange policy and tactics.

This does not mean that in itself an increase in American investment in Britain is not a good thing on balance. What it does mean is that the increase of its extent tends to make sterling more vulnerable. For this reason it is expedient to reinforce the extent of sterling's defences in the form of a larger gold reserve. There is a danger that the increase of the gold reserve resulting largely from the inflow of American and other capital from outside the Sterling Area generates a false feeling of optimism. An unduly large proportion of the amount received is apt to be relent abroad. This is a danger which have to be borne in mind.

Official Changes in Commonwealth Funds

SAN FRANCISCO, Calif.—S. Waldo Coleman, former President of the Commonwealth Group of Mutual Funds, has been advanced to the new position of Chairman of the Board and Robert L. Cody was elected President to succeed him.

The action was taken at a meeting of directors of the three Commonwealth companies. Mr. Coleman also was elected Chairman and Mr. Cody President of North American Securities Company, underwriter and investment manager of the funds, and of its parent company, North American Investment Corporation.

Mr. Coleman pioneered in the investment company industry in America when he founded North American Investment Corporation in San Francisco in 1925. In 1932, he formed Commonwealth Investment Company, a balanced mutual fund. To meet the needs of a wider group of investors, he established Commonwealth Stock Fund, a mutual fund investing in common stocks, in 1952 and Commonwealth Income Fund, investing for current income, in 1957. Total assets of these companies were more than $185,000,000 on June 30.

Mr. Cody has been Executive Vice-President of the Commonwealth Group of Mutual Funds since 1954. The new President is a member of the Board of Governors of The National Association of Securities Dealers and is the Chairman of its Investment Companies Committee. He is also a member of the Board of Governors of The National Association of Investment Companies.

Measurement of Land Rent And the "Single Taxers"

By ERNEST KURNOW*
Associate Professor of Economics, New York University
New York City

Prof. Kurnow's statistical study of land rent and land value reveals estimated land rent to be $20 billion whereas governmental expenditures come to $116 billion. These data may be of more than casual interest to those interested in the economic theory of Henry George and the "single tax." Moreover, the one time budget consultant to the Turkish government adds, 24% of the estimated land rent is attributable to private tax-exempt and to public property.

A Neglected Area

There has been little interest shown by economists in recent years in the measurement of land rent. This lack of interest seems to stem from two main causes. In the first place land rent is considered a relatively unimportant variable in discussions of economic theory. In fact, the latest figure available is for the year 1915. It was estimated by Willford I. King in connection with his study of wealth and income.

Ernest Kurnow

King's sole interest in the value of land rent was to evaluate the feasibility of the single-tax doctrine. He concluded that:

". . . before the Civil War, the rent bill was large enough to pay all governmental charges nearly twice over. In 1910, however, the rent would have been barely sufficient to pay off the various governmental budgets . . . and, with the growing concentration of activities in the hands of government it appears that rent will soon be a quantity far too small to meet the required charges.[1]"

Thus, King's study convinced him that a single tax would not be adequate for the support of government budgets. In his later work he did not measure land rent or even discuss it as a separate entity. Perhaps the investigators who followed King reached the same conclusion. In any event, they ignore land rent as an economic variable.

A second possible reason for the absence of measures of land rent is that it is difficult to measure. Thus, Simon Kuznets distinguishes between analytical and institutional classifications of income measurements. The analytical classifications are those based upon ". . . the economic reality provided by economic theory. . . ." The institutional classification depends upon categories under which statistical data occur. To go from the institutional classification to the analytic requires that the investigator go behind the published statistics and reclassify the data provided by enterprises or individuals. Another alternative is to readjust the institutional breakdown in published data to get good approximations "by the expenditure of time and ingenuity." However, the opportunity to get at the original data is usually lacking and the possibilities of adjusting the reported data are severely limited.[2] This difficulty of statistically measuring land rent when coupled with the lack of theoretical interest in such measures would seem to account for the absence of data on land rent.

Misuses of Available Rent Data

Although land rent is not measured today, the Department of Commerce does measure **rental income of persons** as part of the national income accounts. Rental income of persons is defined as ". . . the monetary earnings of persons from the rental of real property, except those of persons primarily engaged in the real estate business; the imputed net rental returns to owner-occupants of non-farm dwellings; and the royalties received by persons from patents, copyrights, and rights to the natural resources."

As is obvious from the definition, and as the compilers of these statistics have very carefully pointed out, there can be no identification between the rental income of perons and the rent concepts of economic theory—including land rent. Nevertheless, it is not uncommon to find the data for rental income of persons cited to demonstrate that land rent comprises only a minor portion of the national income today. It has been claimed by some that if figures for land rent were available, they would indicate that land rent is relatively more important than we are led to believe by the erroneous use of the national income statistics.

Since there exists no measures of land rent and conflicting claims have been made concerning its magnitude, this study was undertaken to estimate the value of land rent.

Method Used in This Study

The basis for measuring land rent in this study is land values. Land values may be considered as land rents capitalized at the current rate of return. Thus,

$$\text{Land Value} = \frac{\text{Land rent}}{\text{Rate of return}}$$

or,

$$\text{Land rent} = \text{Land value} \times \text{Rate of return}$$

To the extent, however, that land values reflect a speculative element, land rents would tend to be overstated on this basis. On the other hand, it may be stated that land rent less taxes should be capitalized to determine land values. Thus,

$$\text{Land rent} = (\text{Land Value} \times \text{Rate of return}) + \text{Taxes.}$$

This formulation, of course, assumes that the landowner bears the tax burden and cannot shift any part of it. In any event, the original formulation — that neglects taxes — tends to understate land rents. Thus, the original formulation on the one hand tends to overstate and on the other to understate land rents. For the purposes of the study it was assumed that these errors tend to cancel each other.

Land values have been regularly estimated in the United States in connection with studies of wealth. Two general methods have been used.

(1) The assessed value of real property is adjusted to market price level by the use of the ratio of assessed value to market value. The market value of property is then divided into the value of land and the value of improvements. This method was used by most investigators of national wealth (e.g., F.T.C., Doanne, Kuznets, Keller, Ingalls).

(2) The ratio of the value of non-farm land to that of structures on it is applied to the value of structures. The value of structures is determined by cumulating depreciated expenditures in current prices. This method was used by Raymond W. Goldsmith in connection with his perpetual inventory of national wealth.

The main shortcomings of the method based on assessed values in the past has been the questionable quality of the ratios of assessed value to market value and of the ratios of the value of land to the value of land and improvement. Goldsmith's method has been criticized for understating the value of structures and, hence, the associated land values. Also, a relatively small number of appraisals are used to estimate the ratios of land value to that of structures.

In this study both of the methods described above were used. Part of the shortcoming of the assessed value method was removed by the 1957 Census of Governments in which estimates were made for the ratio of assessed value to market value of property for various classifications of property in each state. The ratio of land value to the value of land and improvements for this study was determined from assessment data published by state and local government agencies. These ratios were checked against appraisals of lending institutions. The use of this method with more reliable basic data should offer a means of verifying Goldsmith's estimates.

The method based on assessments, however, can be applied only to taxable real property other than public utilities. For other categories of property—e.g., public utilities, private tax exempt, and public—the Goldsmith method was, therefore, used. In addition the inventory of Federal Government property and miscellaneous reports were used to determine subsoil wealth.

The Preliminary Findings

The table below summarizes the preliminary findings as to land values. (The final figures will appear in a report to be published later in the year).

Estimate of Land Values in the United States 1956
(in billions of dollars)

Type of Property	Value of Land and Imprvmts.	Value of Land
Taxable Real (Other than Public Utilities)	692.4	230.8
Public Utilities	143.1	15.4
Tax Exempt-Private	44.1	13.7
Public	253.8	65.7
Subsoil Assets	12.0	12.0
Total	1,145.4	338.6

The estimate for the value of land is $338.6 billion. This estimate is relatively high when compared to Goldsmith's estimate of approximately $215 billion for 1955. However, Goldsmith's estimates of land value were proportionately the same amount below the estimate of Kuznets for 1922 and the estimates of Doanne for 1922, 1929-30, and 1938-39. The reasons for the difference between the results of this study and those of Goldsmith are now being studied.

If we now assume a rate of return on land of 6%, the estimate of land rent would be approximately $20 billion. Obviously, if we were to assume a higher (lower) rate of return, the estimate would be higher (lower). It must be remembered, however, that approximately 24% of the estimate of land rent is attributable to private tax-exempt and to public property. The relative importance of land rent can then be gauged by comparing its value with the value of GNP of $415 billion for 1956, or with the $116 billion spent by all levels of government during that year.

*Speech delivered by Prof. Kurnow at the 15th Annual Conference of the Henry George School of Social Science at Rutgers University, New Brunswick, N. J. The research reported on was made possible by a grant from The Lincoln Foundation. It is part of a larger study on rent theory and rent measurement. Associated with him in the study are Professors Joseph S. Keiper, Clifford D. Clark, and Harvey H. Segal—all of New York University.

1 Willford Isbell King, *The Wealth and Income of the People of the United States*, The Macmillan Company (New York, 1922), p. 155.

2 Based on Simon Kuznets, National Income and Its Composition, 1918-38, Vol. I, National Bureau of Economic Research (New York, 1941), p. 95.

CHARLES R. BLYTH

Charles R. Blyth, Founder and Chairman of the nationwide investment banking firm of Blyth & Co., Inc., passed away Aug. 26 at his home in Hillsborough, Calif. He was 76 years old.

Charles R. Blyth

Mr. Blyth was active head of the firm he founded, making his headquarters at the San Francisco office.

Shortly after graduating from Amherst College in 1905, he started his investment banking career in Chicago with the firm of George H. Burr & Co., where he remained until coming to San Francisco in 1909 to join the investment banking firm of Louis Sloss & Co. In 1914, Mr. Blyth formed the firm of Blyth, Witter & Co. with Roy L. Shurtleff, George C. Leib and Dean Witter. In 1924, Mr. Witter sold his interest and retired from the organization, which later assumed its present name.

Under the leadership of Mr. Blyth, the firm grew steadily in size and importance. The first branch office was established in Los Angeles, and in 1919 a branch was opened in New York. Since then, the firm has established offices in most principal financial centers and today maintains 24 offices throughout the United States.

In addition to his investment banking activities, Mr. Blyth played a dominant role in the business, civic and political life of San Francisco and the State of California. At his death he was a director of several corporations including Crown Zellerbach Corporation, Hewlett-Packard Company and Pacific Gas Transmission Co. He was also a director of The Stanford Research Institute, a trustee of Stanford University, a Vice-President of the San Francisco Opera Association and The San Francisco Symphony. He was also named Chairman of the California Olympic Commission of the Winter Olympics to be held at Squaw Valley, Calif., in 1960.

In World War I, Mr. Blyth served as Chairman of the Liberty Loan drives for Northern California. In World War II, he was Chairman of the San Francisco Chapter of the American Red Cross and was President of the city's War Chest.

Oscar L. Johnson Opens Own Investment Office

OKLAHOMA CITY, Okla. — Oscar L. Johnson is conducting his own investment business from offices at 2125 Northwest 25th Street. He was formerly an officer of Honnold and Company, Inc., and Honnold & Co.

Form Oregon Underwriters

(Special to THE FINANCIAL CHRONICLE)

SALEM, Oreg.—Oregon Underwriters, Inc. has been formed with offices in the Masonic Building to engage in a securities business. Officers are Lincoln Hanks, President; O. E. Aylett, Vice-President; and Maxine Hanks, Secretary-Treasurer.

Automation: Effects on Unions, Employment and Labor Force

By HERBERT R. NORTHRUP*
General Electric Company, New York, N. Y.

Management that applies the latest technological developments can prevent an aggressive union's restrictions and, in fact, must do so to stay competitively alive according to Mr. Northrup. Warning against easy generalizations or quick conclusions not based on reasonable observation, the labor expert notes these trends: (1) expansion of white collar class and a leveling off of wage earners; (2) influx from farm to plant; (3) increasing importance of women in the labor force; and (4) continuing trend toward more leisure, education and income to an ever-widening number of persons. The executive denies automation causes mass unemployment; explains what can be done to ease technological displacement—which he finds fortunately occurs during prosperity and not recession; finds unions so far have been unable to organize the growing white collar class; and expects labor to try to control technological progress and push for more fringe benefits, such as a shorter work week.

In order to avoid either easy generalizations or purposeless speculations in this discussion of automation, I propose to discuss only the following specific questions: (1) Is automation something new and different or is it merely a continuation or elaboration of long-range technical developments? (2) What are the over-all effects of automation likely to be on the character and composition of the labor force? (3) What is the effect of automation likely to be on employment? (4) What will be the effect of automation on unionism and union relations?

Herbert R. Northrup

Nature of Automation

To guard against this tendency, let us first define our terms. To me automation means something definite and distinguishable from merely improved mechanization or general technological progress. I shall therefore be talking about these three definite developments in our technology:

(1) The integration of conventionally separate manufacturing operations into lines of continuous production untouched by human hands by means of mechanical engineering techniques.

(2) The use of "feed-back" control devices or servo-mechanisms which permit individual operations to be performed, tested and/or inspected, and controlled without human control by means of electrical engineering or electronic techniques.

(3) The development of computing machines which can record and store information and perform complex mathematical operations on such information largely by means of electrical engineering developments.[1]

Defined in simpler terms, automation means *continuous automatic production*, linking together more than one already mechanized operation with the product automatically transferred between two or among several operations. Automation is thus a way of work based upon the concept of production as a continuous flow, rather than processing by intermittent batches of work.

Most of the ideas and equipment that make automation possible have been with us for a long time. If there is anything new about automation, it is the widespread and systematic application of its principles today. Automation is far from being a revolutionary concept. It is the logical and evolutionary outcome of a long trend towards improved manufacturing methods. Originally thought of as pertaining primarily to automatic handling, automation now embraces all the manufacturing operations — making, inspecting, assembling and packaging—as well as handling.

Moreover, automation has spread widely throughout the economy. It started with materials that flow and has made great contributions to the petroleum-refining, chemical, and food industries where flowable materials are involved and the processes are essentially continuous in nature. In these industries, the nature and volume of the product and the necessity for close control of cost and quality made early and extensive automation mandatory.

Today, automation has been extended to non-flowable materials. Under pressure of economic necessity to supply better values to customers, manufacturers have found ingenious ways to make separate items flow through continuous production processes. Pistons and cylinder blocks, condensers and refrigerator doors, and many other parts and products, are processed automatically. Pretzel-bending machines can duplicate the skill of a human hand because buyer preference made it necessary to retain the traditional design of manually tied pretzels. At General Electric's Appliance Park in Louisville, Kentucky, you can watch many parts and segments of appliances being manufactured automatically. And I am sure that many are familiar with the developments in the automobile industry which have led to much of the speculation about the coming "automatic factory."

Recently automation has been made available to manufacturers in the field of small lot production of many different parts. This development — which we call "flexible automation"—is achieved by equipping individual standard or custom production machines with proved, low-cost electronic controls to automate virtually any production process. Machine "programs" — for operations such as drilling, bending, milling, punching, shearing, turning, boring, or welding — can be quickly and easily set up or modified to produce different parts. Both preparation and production time can be substantially reduced with big savings in costs and big advances in the values offered customers.

Automation is thus constantly being extended to new horizons as new developments and new costs alter the economics of the present vs. the new method of operations. The manner and speed with which automation will spread depend upon such factors as anticipated design life, the period over which an investment in automation must be amortized, and the cost reduction per unit achievable through automation. As the costs of operating in the traditional manner rise, and more breakthroughs, such as flexible automation, reduce the cost of change, these variables change in favor of automation.

Labor Force and Skill Effects

Given the spread of automation in our economy and its probably continued expansion, what will be its effects on the labor force and the composition of that labor force? Some of these effects have been felt already, notably the manner in which automation has contributed to the changing character of the labor force. The fastest growing demand for personnel is in the professional and technical fields. The great emphasis today on business research, the underwriting of research by the Defense Department, as well as by private business, and the effects of automation with its increased expenditures for capital investment have all played a part in increasing professional and technical workers by almost 45% between 1947 and 1957. Included in this group is a growing number of machinists whose further study has qualified them for promotion to jobs on the technical level.

The expansion of the professional and technical group is one of the most significant elements in the changing character of the labor force since World War II. It is part of the decided shift in manufacturing industries from hourly worker employment into salaried positions. Hourly workers reached their post-war peak in 1953. By 1957, total hourly employees were actually one million less than 1953, and only 1% above the 1947 figure. In contrast, the proportion of salaried workers in manufacturing rose from 16% in 1947 to 23% ten years later, and the ratio appears to be going up.[2]

To men who are, for example, schooled in machine skills, this trend indicates new horizons in such fields as quality control, material control, personnel administration, time study, methods control, and general management. In all these fields a thorough knowledge of machinery and mechanics is a decided asset and can be put to good use in numerous day-to-day activities.

Two other trends in the labor force deserve mention. One is the steady influx of workers from farm to plant—a trend which antedates World War II. The other is the increasing importance of women in the labor force. A post World War II development has been the withdrawal of women from work for early marriage and childbirth, and then their return, apparently permanently, after the children start school. I mention these developments because the largest source of unskilled and semi-skilled labor may well be these two sources in the future.

Skill Changes

Many of the popular assumptions about the effect of automation on skill appear unsupported by investigation. For example, the literature of automation is replete with enthusiastic generalizations to the effect that automation will upgrade labor by requiring greater skills as well as a more dignified type of work. On the basis of equally unsupported evidence, the more pessimistic see wholesale displacement of labor because existing workers lack the training, capacity or both to perform in an automated factory.

The evidence, however, is that operating skill requirements are more often reduced, or unchanged, by automation *provided* a high degree of technological advancement short of automation has already been achieved. The increase in operating skills is required by the prior change from manual to machine operation, not by a change from machine to automation.[3]

It now appears that greater maintenance skills may not even be required by automation, with certain significant exceptions. These exceptions pertain to hydraulic and pneumatic repairmen, but most of all to electricians, some of whom must be trained to handle electronic controls. Moreover, the spread of electronic controls increases the need for all-around repairmen — machinists qualified to handle and to repair complicated electro-mechanical, pneumatic and hydraulic control systems and servo-mechanisms. The requirement of a sound electronic schooling for machinists has also risen in importance as more and more machine tools are directed and controlled by electronic mechanisms. Job specifications and categories based on this marriage of mechanical and electronic skills will probably become increasingly important during the next decade.

Another interesting effect of automation is the expanding utilization of skilled mechanics as control or dial operators or observers. Although this work may be very inactive compared with the more traditional activity of machinists, it can require a very high degree of knowledge, skill and responsibility. The more expenditure a company makes on equipment, the more costly is downtime likely to be. The mechanic who is charged with shutting-off equipment not working properly, or with getting that equipment back into operation, may be even more of a key employee in the automated factory, depending upon the design and make-up of the job.

Jobs and Attitudes

We have all read about the coming robot plants or offices. Clever public relations men, popular science fiction writers and articulate labor union officials have all conjured up fantastic stories of the plant in the future in which there would be miles and miles of machinery and virtually no workers. Such exaggerations have been a great source of comedy for radio and TV gagsters and a great source of fear for many people who won-

Continued on page 26

*An address by Mr. Northrup at the Summer Management Conference of the Institute of Labor and Industrial Relations, the University of Michigan—Wayne State University, The Labor and Industrial Relations Center, Michigan State University, St. Clair, Michigan.

1 G. B. Baldwin and G. P. Schultz. "Automation: A New Dimension to Old Problems." *Annual Proceedings*, Industrial Relations Research Association, 1954, pp. 114-128.

2 Data from U. S. Bureau of Labor Statistics and Federal Reserve Board, reproduced in an unpublished paper by [illegible] Wernick of the Federal Reserve Board.

3 See J. R. Bright, *Automation and Management*. Boston Graduate School of Business Administration, Harvard University, 1958, pp. 170-197. The discussion of skill requirements is based on Bright's work.

The Place of Government In Our Economic System

By EWAN CLAGUE*

Commissioner of Labor Statistics, U. S. Department of Labor

Washington statistician and economist points out the great growth in government's influence on our economy, contrasting its present role with that after World War I. Poses the following question as most important in assuring the fulfillment of government's responsibilities: "How can we harness the productive efficiency of the free competitive economy to the governmental efficiency of our political system—to effective national policymaking?" Refers to Soviet's economic threat. Cites government's present personnel problems. Stresses need for continued expansion of statistics and their dissemination to the public.

One point is so simple and obvious that it scarcely requires more than brief mention: Government has become a vastly bigger and more potent influence in our economy than it ever was before. In the aftermath of World War I, when I was a young graduate student of economics, I can still recall vividly the short and sharp business depression—and I mean depression—of 1921. As an ex-farmer, I was keenly aware of the literal collapse of farm prices in a brief period of less than a year. I was grateful that I was a graduate student on a fellowship and not numbered among the unemployed. Professor Commons attracted nationwide attention at that time by sponsoring an unemployment insurance bill in the State of Wisconsin, a bill which later formed a pattern for the unemployment insurance system we now have. In those days, there was no unemployment insurance, no old-age security, no Employment Act, no government price supports, and in fact, a relatively small Federal budget. On the international front, we were cutting back our armed forces, sinking our battleships, and looking forward to a world of peace and prosperity. And the record shows that the decade of the 1920s produced such a world.

Ewan Clague

How different it has been after World War II. This time we have had no significant depression, no such volume of unemployment, multiple supports and protections for families and individuals, and (by comparison) a tremendous Federal budget. There has been no disarmament, and our fears are directed more toward inflation than deflation.

The Future

What about the future? Is our experience thus far merely a deviation from long-run trends? May we expect that some day our nation's industrial capacity will exceed demand, that prices will fall, that unemployment will become a continuing problem, that military budgets can be decreased, that taxes can come down, and that peace and prosperity can once more dominate our economy?

All forecasting is dangerous, and especially so on subjects like these, which yield to no mathematical or statistical analysis. No one can be sure just what the future will bring forth. So it is with some hesitation that I venture out on such thin ice. However, all of us as citizens must necessarily project our thoughts into the future. Our legislative bodies must try to express in legislation the will of the American people. Our executive departments must plan major long-run policies. You who will be serving in the world of business will find yourselves spending much of your time in analyses, forecasts and projections of markets. Some people prefer to take no thought of the future, leaving it all to chance or to some masterminds. Some consult oracles or soothsayers, who have occult methods for divining the future. But my thoughts are addressed to those who want to rely on mankind's gift of brainpower, upon hard thought and careful reflection. So it is from this background that I propose to discuss with you the ideas growing out of my own experience.

So, in my judgment, big government is here to stay. How could it be otherwise? Take the simple matter of space. In the early years of our Federal Government, it took more than a week to travel to Washington from New York — 250 miles. Today it takes less time than that to travel around the world — 25,000 miles. This is a shrinkage of 100 to 1. And I must remind you that our 13 Colonies were spread far beyond the distance from New York to Washington. There are no empty spaces any more. The world is small.

But this thought represents only a start. Government has absorbed many functions which formerly were conducted by private organizations and individuals. Government is also conducting many new functions which formerly were not thought necessary. At the same time, determined efforts are being made to find Federal functions which can be turned back to states and localities, and government functions which can be returned to private industry. Some success will no doubt be achieved in that direction. But offsetting these moves there will be a constant flood of new needs and new functions rising to the top. On balance the trend points more to future growth than to future decline of government.

Let us take the domestic economy as an illustration. Consider the urgent and growing needs for schools, roads, local public works, social security, unemployment insurance, veterans' benefits, and a score of others. Is it conceivable that any of these needs will decline? I think that every one of them will expand at least as fast as the population, some of them as fast as the growth of the economy, and a few of them will even expand their share of the nation's total product.

Or let us take a look at defense, which now takes nearly 10% of our Gross National Product. We are now on the threshold of the missile age. You are all aware of our vigorous efforts to surpass the Soviet Union in missile weapons. But how far have we gone in missile defense? Imagine the staggering cost which will be incurred if we must construct underground shelters for the protection of our population. And we have already become concerned about earth satellites as a factor in our military future. In the light of the present world situation, is there any reasonable prospect of a substantial decline in defense expenditures?

Thus far I have been discussing traditional government functions. Here we are on familiar ground. If we are likely to have continued large government expenditures, we know that we shall have to re-examine periodically our tax structure and review our expenditure programs. But there is nothing new in this; we have done it before and we can do it again.

However, I want to call your attention to a much more serious problem, namely, the challenge to our free enterprise economic system. The Soviet Union is engaging us in military competition, in diplomatic competition, in scientific competition, and in many other fields. Important as these are, they are all really secondary. The fundamental and eventual threat of Soviet Communism is economic competition. Remember that the heart of the Communist system is its economic doctrine—that government ownership and management of the means of production is far superior to free enterprise. Their confidence in themselves and in their system is based upon their firm conviction that their doctrine is sound. This is the real battleground.

Ah, but this is where we feel supremely confident. Haven't we heard for years about the inefficiency of government as an agency of production? Aren't we thoroughly convinced that government operation is almost invariably less efficient than private enterprise, with a few exceptions such as natural monopolies and certain long-range programs? Nor have the meager reports about the operation of the Soviet economy caused us to worry about this factor. There is ample evidence of imbalance and inefficiency in Soviet production.

Furthermore, history is on our side in this case. The productivity of the American economy and the standard of living of the American people are as yet unmatched in the world. These heights have been obtained in a relatively free economy, unguided by government controls. Whether it has been spending or saving, consumption or investment, expansion or contraction—all these decisions were freely taken by the American people. In our economy the consumer is king. In the last analysis, he determines the general direction of production. He takes nearly two-thirds of our total annual product. Our national concern is that consumer purchasing power shall be maintained. We have just been congratulating the consumer for sustaining the economy in the recent recession.

The Soviet Threat

But this is not the end of the story. The Soviet Union operates an economy under forced draft. In their system, investment comes first and the consumer takes what is left. As a result, the Soviet economy is now directing into capital investment a much larger proportion of their national income than we do. In recent years, we have been devoting about 8% of our Gross National Product to new plants and equipment. We can add another 3% for research and development. We might add several percent more for types of construction designed for further production. (I am omitting housing, which I would classify as a consumer item.)

We do not know what proportion of Soviet income is being devoted to future production, but it may be twice as much as ours. We know that their revenues are derived primarily from the consumer through retail prices; and their productivity figures (however much we discount them) show a significantly higher rate of advance than ours. Capital investment in plant, machines, tools, materials and methods is a major factor in the rate of economic growth. It would take an enormous amount of production inefficiency in the Soviet Union to offset the effect of their high rate of capital accumulation.

The problem for us is, can our economy meet this challenge? It is on the basis of this high rate of capital investment that Khrushchev and his Soviet economists are predicting that their economy will surpass that of the United States within the next 20 years. I would discount their timing, because we are at present so far ahead. But we dare not discount their program. A growth rate of 2% per year will double a nation's output in 35 years; a 3% rate takes 25 years and a 4% rate 18 years. If both nations continue their present rates, the Soviet Union will eventually catch up with and surpass us.

Fundamental Problem

This thought brings us back to government, that is, the Government of the United States; because government already has been assigned a responsibility for the maintenance of economic growth in this country. I am not now hinting at government controls or government operation of industry. I refer only to the fact that government policies designed to maximize our rate of economic growth are sure to receive urgent consideration in the future. You as businessmen have a vital stake in assuring the success of the United States Government in carrying out this responsibility. Our most fundamental economic problem is this: How can we harness the productive efficiency of the free competitive economy to the governmental efficiency of our political system—to effective national policymaking? This, in addition to your private interests, is your business. The future of our economic system, to which we are all devoted, depends on our solvinv this problem and achieving this goal.

Importance of Government's Civilian and Military Activities

This means that we can no longer take the position that government is a necessary evil, that that government is best which governs least. The most important single organization in the world today is the Government of the United States, including its civilian and military activities. This is not a new thought. I believe that all the peoples of the free world would agree to this proposition. If that is the case, shouldn't one of your primary aims as businessmen be to strengthen that organization, to improve the efficiency of its operations, and thus to assure our national survival?

But how shall all this be done? If the goal is accepted, we can surely find the way to do it. I shall not attempt to outline a program because I don't know exactly what needs to be done. Let me make just a few suggestions.

First, I have a deep concern about government personnel. Early in my governmental career, I had experience in recruiting personnel for government service. The Social Security Board, building from the ground up, developed an excellent staff of able people. The unqualified success of the Social Security program has been due in part to the personnel who have administered it. In those

*Address by Commissioner Clague before Babson Institute, Babson Park, Mass.

days, with a large fraction of the labor force unemployed, the government got the best. There were class valedictorians who came to work for the Social Security Board in the lowest clerical grade.

Then again, in the 1940s during the war, the government in the emergency was able to command the best talent in the nation.

But now, how things have changed!

The Government's Personnel Difficulty

Today we in the government agencies are lucky to attract even the average college graduate. On a number of occasions I have addressed college assemblies on the advantages and satisfaction of government employment. But there are seldom more than two or three in a hundred who even express interest. And when we do entice some bright youngsters into a civil service exam, private industry often cleans out the top of the lists. A few months ago our bureau had a chance at a fine young graduate. His father, though now a private consultant, had been a career civil servant for many years. We in the Bureau of Labor Statistics took the boy up on our little mountain top and showed him his opportunities and prospects — occupational outlook studies, the price-wage spiral, inflation analysis, productivity and economic growth, and so forth. But a large brokerage house in New York bid him right away from us. In addition to paying him a good salary, they are sending him to the university (at their expense) to get his master's degree. Up until this last year most government agencies couldn't even give an employee a little time off to take a college course, to say nothing of paying his expenses.

Won't you give some thought as to what might be done to get government a fair share of our manpower talent?

Information Indispensable

Next, I want to mention another point which grows out of my own government experience. The BLS is a statistical agency devoted to the collection and analysis of the facts of our economic and industrial life. It is my firm belief that in a democracy, and in a free economy, we must make provision for the diffusion of information and knowledge among the people. If our economy is to be governed by the decisions of millions of people, then these millions must have access to the facts that will enable them to make good decisions. I believe that the great expansion in statistics in this country during recent years has been an important factor in helping maintain business stability. This is a matter which should be of concern to you.

Our bureau collects most of its data from employers on a strictly voluntary basis; we have no compulsory powers. So we are dependent on the good will and cooperation of businessmen. When you go out into the business world, you may become involved in government reporting. Can we count on your help? You will be serving business and also the nation if you give our requests sympathetic consideration.

Finally, and most important of all, there are the policy-making functions of government—legislation, administration, executive action. Having obtained the facts, we must apply them to our national programs and practices. These need to be completely reexamined and revised.

On this last point I shall make no specific suggestions. Such matters are beyond the scope of my present duties and responsibilities within the government. So it is not appropriate for me to express my ideas on this subject. However, I do urge your continued consideration of this most vital problem — how can we defeat Communism in the economic race?

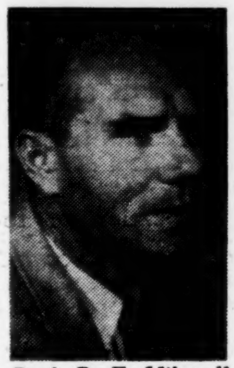
The Underdeveloped Areas And the U. S. Economy

By RAYMOND F. MIKESELL*

W. E. Miner Professor of Economics, University of Oregon

Professor Mikesell maintains that in absence of curtailment of our imports, economic changes in the underdeveloped areas over the next decade will exert no impact on employment, growth and prices in the U. S. Cites decline in our imports since 1951, coincident with substantial rise in our exports. Declares that growth in the less developed areas is for us more important for its political rather than its economic significance. Holds if we want to promote economic growth abroad by private investment and public loan capital, we must promote a rising flow of imports, avoiding policies restricting world markets for commodities, as cotton and wheat. If we do not permit imports, grants will be required to provide the needed capital and commodities. Concludes if aid is to be provided in the form of loans, they are not a substitute for trade.

Unless we should be deprived of access to imports from the less developed areas, economic changes in the less developed areas over the next decade or two are not likely to be of major significance for employment, growth and price levels in the United States. There is little evidence that tight conditions of supply for basic commodity imports will occur forcing up prices of imported primary commodities. There may well be international action to mitigate sharp fluctuations in prices of commodities such as coffee, but this should contribute to U. S. price stability.



Prof. R. F. Mikesell

The underdeveloped areas account for nearly 50% of U. S. foreign trade; and in 1958 our exports to them represented about 1½% of our GNP. We may expect a gradual but by no means spectacular growth in this trade. In fact, there is good reason to expect that our exports to these countries will not continue to grow at the high rates existing prior to 1958. The pattern of this trade, particularly on the U. S. export side, will change as these countries industrialize, and this will affect markets important to particular U. S. industries. For example, twenty-year projections recently published by the Economic Commission for Latin America indicate the virtual elimination of imports of agricultural products and textiles from outside Latin America, but they expect a substantial increase in their imports of machinery and automobiles. On the other hand, U. S. exports of agricultural commodities may continue to expand to food and fiber deficit areas. A recent study by a panel of experts sponsored by GATT suggested that "it may be a natural and economic development that relatively poor countries with high population densities like India and Hong Kong should export cheap labor intensive manufactures in order to import foodstuffs like wheat from developed countries such as Australia, Canada, and the United States, which are rich in capital and land."[1] Hence, if we want to remain large exporters of agricultural commodities, we may need to open our doors to imports of manufactures from some of the less developed countries. In fact, successful industrialization in many countries that must industrialize in order to find employment for their growing population will require the development of substantial export markets for their manufactured products.

Growth Rates in Underdeveloped Countries

The rate and pattern of growth in the less developed areas of the world is perhaps more important for its political and strategic significance than for its economic significance for the U. S. economy as a whole. What that growth pattern will be depends in considerable measure on the trade, investment and foreign assistance policies of the United States and our Western European allies, and these policies in turn have important economic implications for our economy. Hence, in dealing with the problem of the significance of economic changes in the less developed countries for the U. S. economy it is perhaps more fruitful to examine the economic consequences of alternative policies toward these areas.

Over the period 1950-1957, the less developed countries as a whole experienced growth rates ranging from around 4.5% a year in the case of Latin America, to somewhat lower rates in Southeast Asia and the Middle East. Substantial differences in growth rates have occurred among individual countries. For example, the rate of growth in Argentina since 1948 has been less than 2% as against 8% for Venezuela. In Southeast Asia, Pakistan's rate of growth has been only a little over 2% as against 6-7% for Thailand, and about 3.4% under India's first five-year plan. To a considerable degree, differences in growth rates can be attributed to developments in the export sector of the economy. For some countries the rise in export earnings in the post-war period has resulted from an increase in the volume of exports, while for others, export volume has increased very little but export prices have risen considerably more than the prices of the commodities they import.

Over the past couple of years there has been a noticeable decline in the rate of growth in the less developed countries. A number of these countries have also been experiencing serious balance of payments difficulties. This has occurred in spite of a larger flow of capital to the less developed regions. While the fall of primary commodity prices and export earnings beginning in the second half of 1957 was an important factor in reducing the rate of economic progress, a number of countries were running into difficulty maintaining growth momentum even before the 1957-1958 recession. This has been due in part to the fact that the terms of trade have been moving against most countries producing primary products for several years, whereas before 1954 their terms of trade tended to improve. Fundamentally, the difficulties experienced by most underdeveloped countries lie in the fact that their export earnings have been lagging behind the import requirements associated with a steady rate of economic growth.

Perhaps the most important single factor in determining both the rate of growth of the less developed areas and the impact of their development on the U. S. economy lies in the future pattern of their exports to the industrial countries. Experience has shown that economic progress depends heavily upon the ability to expand imports of fuel, raw materials, capital goods, and in some cases, foodstuffs and consumers goods as well. While capital imports are important for accelerating development, they can provide only a temporary means of maintaining imports in the face of constant or slowly growing exports.

Trends in Exports of Non-Industrialized Countries

What then is the outlook for the exports of the less developed countries to the industrial countries of the United States and Western Europe? Before considering current projections of imports from the non-industrial countries for the future, I want to look briefly at what has happened in the past. The findings of a recent GATT study on this subject are revealing. Over the twenty-year period 1937-1938 to 1957, the non-industrialized countries combined increased the volume of their imports by 104% and the volume of their exports by only 40%, of which increase more than half was accounted for by petroleum exports. Fortunately the terms of trade of primary commodity exports rose significantly in the early postwar period so that the real value of the export proceeds of the non-industrialized countries rose substantially over prewar levels. However, between 1954 and 1958 the terms of trade between primary products and manufactures moved against primary products to the extent of about 15% and by an even larger percentage if minerals and petroleum are excluded.

As compared with prewar (1937-1938) the volume of exports of countries exporting mainly non-tropical foodstuffs—including Argentina, Burma, Cuba, New Zealand and certain African countries—had declined by 10% by 1955. Over this same period, the volume of exports of countries exporting mainly agricultural raw materials — including Australia, Egypt, Finland, India, Pakistan, Indonesia, Indochina, Malaya, Mexico, Philippines, Syria and Lebanon—rose by only 6%. The volume of exports of countries exporting mainly tropical foodstuffs—including Brazil, Ceylon, Costa Rica, Dominican Republic and several African countries—rose by 13% or about ¾ of 1% per year over the seventeen-year period. Those countries exporting mainly minerals—including the Belgian Congo, Chile, the Federation of Rhodesia, Peru and the Union of South Africa—raised their export volume by 41%, or by 2.3% per year. The handful of countries exporting mainly petroleum products raised their export volume by nearly four-fold.[2] But the vast majority of non-industrial countries increased their export volume over the seventeen-year period by less than 1% per year while their import volume was expanding at a rate of over 4.5% per year. Moreover, for a number of non-industrial countries, export volume has declined or has not

Continued on page 16

*Statement of Professor Mikesell before the Joint Economic Committee of the Congress.

1 *Trends in International Trade*, GATT, Geneva, October, 1958, page 80.

2 *Ibid.*, page 23.

Bank and Insurance Stocks

BY ARTHUR B. WALLACE

This Week — Insurance Stocks

HARTFORD STEAM BOILER INSPECTION & INSURANCE CO.

Hartford Steam Boiler Inspection & Insurance Company is, among insurance companies generally, a unique company, and in a unique field. First, it is the only stock unit that restricts its writings entirely to boiler and machinery business; secondly, it is unique in that its operations are primarily prevention.

The company was incorporated in 1866 with a capital (including notes) of $500,000. There were several capital changes that brought the figure tc $3,000,000 in 1928, and in May of the present year to $4,000,000, there now being 400,000 shares of $10 par value each. Its sole affiliate is the Boiler Inspection & Insurance Company of Canada, carried at about $1,335,000.

This company normally reports a high expense ratio (expenses related to written premiums) and is therefore not comparable with the regular run of fire-casualty carriers. The reason for this high expense ratio is that insurance under its policies usually carries an inspection and engineering service. This has the effect of keeping down claims, and, of course, losses. As a consequence, for the five years ended with 1958, the loss and expense ratios run as follows:

	Loss Ratio	Expense Ratio	Combined	% of Liq. Value
1954	32.5%	54.4%	86.9%	53%
1955	28.4	55.7	84.1	58
1956	30.4	61.5	91.9	52
1957	24.5	59.8	84.3	52
1958	24.3	54.5	78.8	62

The combined ratio over the most recent five years averaged 85.1%; and over the ten years through 1958, 85.4%. The company thus shows an average ten-year profit margin of some 14.6%, which puts it in a class with the more profitable carriers so far as underwriting operations are concerned. The company maintains more than 600 field inspectors, who devote their time to the examination of power equipment such as boilers, engines, turbines, compressors, generators, etc. Their efforts, therefore, run to prevention of accidents. The trend is toward higher premium volume because of plant expansion in so many lines of general business, and technological developments involving new machinery and changing methods.

Hartford Steam Boiler is licensed to do business in all States, and it writes about one-half of all boiler and machinery insurance in Canada.

In the investment end of the business, about 60% of the portfolio is in bonds; and a sizable proportion is concentrated in bank and insurance stocks. A breakdown of assets into principal categories, as of the end of 1958, follows:

Cash	5.4%	Common Stocks	32.5%
U. S. Gov't Bonds	14.0	Other Investments	0.7
Other Bonds	35.8	All Other Assets	10.7
Preferred Stocks	1.2	Market Adjustment	— 0.3

Dividends have been maintained in an unbroken record since 1873, over 85 years, one of the longer records among insurance companies in this country.

Ten-Year Statistical Records — Per Share*

	Liq. Value	Adj. Und. Profit	Invest. Income	Fed. Taxes	Net	Div.	Price Range High	Price Range Low
1949	$50.90	$1.33	$2.38	$0.31	$2.90	$1.20	29¾	24⅜
1950	58.10	3.40	2.56	0.18	5.78	1.20	29¼	23⅛
1951	62.70	3.27	2.75	0.32	5.70	1.20	26¾	22⅞
1952	70.69	6.71	2.79	4.23	5.27	1.35	34⅜	24⅜
1953	84.63	8.99	3.03	2.96	9.06	1.35	35⅝	29⅞
1954	110.27	10.28	3.39	3.91	9.76	1.50	62⅝	35⅝
1955	123.30	9.13	3.82	5.69	7.35	1.57	78	60¾
1956	122.21	5.06	4.36	3.35	6.07	1.87	73⅞	56¼
1957	127.67	8.71	4.91	3.84	9.78	1.87	60¾	46½
1958	116.87	4.76	4.11	1.26	7.61	1.87	85⅛	58½

*Adjusted for 33⅓% stock dividend in March, 1959.

Steam Boiler has had a long favorable underwriting record except in the 1943-1947 period when World War II did much to disrupt the company's inspection operations. If we go back a dozen years we find that only in 1948, 1947 and 1951 were statutory underwriting deficits recorded, and they of minor size: 86 cents; 21 cents and 21 cents.

There has been a good growth of the shareholder's equity. In the decade ended with 1958 it increased about 250%. In the same period net earnings were up by almost 160%. The present dividend of $2.50 annually returns about 2½% at the current price of 94½ or thereabout. These shares, however, afford a satisfactory yield over a decade or more in view of the company's unusually good underwriting reccrd.

The stock makes an excellent adjunct to any list of growth holdings.

The Role of Voluntary Planning For Retirement Income

By BENJAMIN B. KENDRICK*
Assistant Director of Research, Life Insurance Company of America

Mr. Kendrick maintains the choice between compulsory social security and voluntary individual security is of great national importance—with a tendency of Government programs to go too far. Declares, as not generally realized, over-expansion is likely to discredit social security in the people's eyes. Avers that, conversely, increasing public satisfaction would be had in a proper balance in plans for retirement income maintenance, with cash social security benefits on a floor-of-protection level, with supplementation through voluntary mechanisms. Concludes that with the retirement income problem effectively solved, progress on the other problems concerning the aged will be accelerated.

Once suitable income for the aged is assured, the problems of health, housing, home life, and so on, diminish significantly in difficulty.

Benjamin B. Kendrick

To begin with, let me draw a distinction between (a) planning for the aging and aged that is done for them by others, and (b) the planning the aging and aged do for themselves.

Social security, as a means of maintaining the income of the aged, is clearly in the first category. It is a compulsory plan, conceived and operated by government, which assures those within its scope of a certain level of income after retirement.

Life insurance policies, savings accounts, home ownership and the like, are not comparable with social security in this regard. They are not plans. They are mechanisms or facilities which individuals and families may choose to utilize in seeking to build a portion of their own security on a voluntary basis.

It hardly seems worthwhile to get into details as to how the various voluntary mechanisms may best be employed. Suffice it to say: (1) That the answer differs with the family's circumstances; and (2) That there are many well-qualified salesmen and agents available to help the individual family find the best answer in its particular case.

Assuming it is agreed there is some place for voluntary effort, I would like to focus my remarks on the question of where the dividing line should come between compulsory government planning and voluntary family planning. I recognize, of course, that there is an intermediate area represented by employer and union plans; but as another panelist is discussing that topic, I will not go into it.

Importance of Issue

As this audience is well aware, the question of how far social security should go toward maintaining the income levels of the retired aged is a live, current issue. I believe it is also an important, long-range issue.

As you know, the Social Security Act has been substantially liberalized five times in the last nine years, and further liberalization is sure to be considered seriously in 1960. What happens in 1960, in fact, may prove to be of critical importance in shaping the future of social security in the United States. As yet, the government system provides benefits reasonably related to the idea of a basic floor of protection. As yet, the government system does not provide hospital or medical benefits. If 1960 should see another round of increases in the benefit level, it might mark the first definite step away from the floor-of-protection idea and toward the conversion of social security into a sort of uniform, compulsory, high-level, national pension plan. And if 1960 should see the enactment of the so-called "Forand" proposals — to provide hospital and surgical benefits for social security beneficiaries — it might mark the first definite step toward a national system of compulsory health insurance. So some critical decisions may be close at hand.

From a long-range standpoint, the choice we make on where to draw the line between compulsory social security on the one hand, and voluntary individual security on the other, can be of great national importance. The quest for security is somewhat like the pursuit of happiness. Those excessively preoccupied with finding happiness seldom do. Similarly, when the prime motivating force of a society becomes the quest for security, serious troubles may loom ahead.

The Tendency of Government To Go Too Far

Perhaps some of you may question the thought I am implying: That there is a dangerous tendency for Government social security programs to go too far. True, we may not yet have gone too far in social security in the United States. Yet the repeated benefit increases of the past are a matter of record, and the demands for further liberalization are audible and insistent. If this trend continues, then at some point, later if not sooner, we will surely reach a stage of over-liberalization.

What causes this tendency toward over-expanded social security? As a first, concise answer, the trend stems mainly from the fact thaat benefit liberalizations have an immediate impact on the public's consciousness, while the impact of the required tax increases is deferred. Recently this was put quite well by M. A. Linton, a distinguished life insurance leader, who has contributed much to the development of American social security. "When an increase in benefits is adopted," he said:

". . . it usually applies to those already on the rolls. However, the full cost effects of the increase, as they affect those now working, are slow in maturing. That follows because only a relatively small number retire each year and receive the increased benefits. Thus, the full effects of the larger benefits are postponed for many years, and the increase in the current outgo is relatively light."

Thus, continued Mr. Linton, political irresponsibility is invited. "Vote attractive benefits now; let the future generation of workers pay most of the bill." Every citizen, he concluded, "should keep clearly in mind this dangerous aspect of our social security system as increased benefits are proposed in Congress."

Desirability of Modest Social Security

Before going on with the main flow of these remarks, I would like to take a couple of minutes to make sure I am being absolutely clear on two points that are of major importance.

First, I would like to emphasize that nothing I have said or will say is meant as an attack on the social security system of the United States, as it exists today, or on the normal human desire for security. A modest social security system, aimed at providing a basic floor of protection, can perform a most useful function. It can do a different sort of job than the job voluntary enterprise is organized and equipped to do. While I would not have framed the American social security system just as it now exists, it is still relatively modest, as I have already suggested. I think the American system is at present doing a useful job, quite effectively. The danger I have been talking about is the perilous tendency toward over-expansion of the system.

Similarly, I am certainly not attacking the normal human desire for security. The life insurance business, in fact, is devoted to serving that desire. What I am talking about is excessive preoccupation with security. And such preoccupation is much more likely to manifest itself in political demands for more and more governmental social security than in miserly behavior on the part of individuals.

Voluntary Measures and Compulsory Social Security Distinguished

That brings me to the second point on which I would like to be absolutely clear: There are vital differences—three, at least, which I will mention—between voluntary provisions for retirement income on the one hand, and governmental programs of social security on the other. First, as the word "voluntary" implies, the individual who is building his own retirement income security has a freedom of choice to do so in a way that best meets his needs and desires — the resulting "tailor-made suit," so to speak, contrasting markedly with the "ready-made suit" that social security furnishes everyone through a law applying uniformly to all.

Second, and more important, it is characteristic of voluntary savings, insurance, and home-ownership that each family builds its own retirement security. Social security, by contrast, necessarily operates on a so-called pay-as-you-go basis. And "pay-as-you-go" is an expression which means that young Peter's taxes are promptly used to pay old Paul's benefits (as indicated in the quotation from Mr. Linton). When young Peter grows old, his benefits cannot come in any significant way from the relatively small contingency reserve in the Trust Funds; his benefits will have to come from taxes paid by Paul Junior—a child now who will be working then.

Again, I am not attacking social security—just explaining how the system necessarily works. My point is that, generally speaking, a man provides his own retirement income when he does it voluntarily, whereas social security forces one man to provide another man's security. Over-expansion and over-development are much more likely if someone else must pay the costs.

The third, and most important, distinction between voluntary and compulsory provisions concerns the fact that the voluntary methods normally involve an important element of advance savings, which draw interest, while the compulsory government methods normally do not involve much if any savings on interest. In this regard, let me read you some excerpts from the report to the British Parliament made a few years ago by the distinguished Phillips Commission:

"Under private pension schemes there need be no ultimate burden

*An address by Mr. Kendrick before the 12th Annual University of Michigan Conference on Aging.

on the rest of the community since the contributions made under these schemes are usually paid into a fund which, on investment, yields an additional stream of income to meet the cost in benefits. . . . In effect, therefore, a private person who provides, directly or indirectly, funds that are invested in his behalf, makes provisions for his maintenance at some future time by inducing or allowing someone else to contract the obligation to maintain him. . . .

"Under the National Insurance Scheme there is no similar equivalence between the payments made by individual contributors and the benefits that they will ultimately receive. . . . The burden of state pensions is met, not out of past savings made collectively by the pensioners, but out of current earnings. . . . The transfers impose a burden on taxpayers and contributors for the benefit of those who draw pensions. . . ."

To sum up the three important advantages of voluntary provisions for retirement over compulsory social security: First, voluntary provisions better meet the needs and desires of the individuals involved. Second, over-expansion and over-development of social security are less likely. Third, by reason of the interest earned, the economic burden on the community is reduced or eliminated.

A "Bigelow Carpet" of Protection

Earlier, I used the expression, "a basic floor of protection", in trying to indicate how far social security should go. My thought was that above this basic floor, voluntary means should be relied on to furnish such additional protection as groups and individuals may desire.

Opposed to this concept of modest social security is a school of thought which favors what may be called "big social security." Perhaps the outstanding advocate of "big social security" in the United States is our Chairman's colleague, Professor Wilbur J. Cohen of the School of Social Work of the University of Michigan. Professor Cohen has been associated with social security since the enactment of the original Social Security Act; he is widely recognized as an authority; and his views are highly respected. Let me read you some excerpts from a talk he made last fall:

"The problem of making a specific determination of benefit adequacy . . . is perhaps the most difficult of all issues in social insurance. . . .

"From time to time, the complexity of this issue has been minimized by use of the facile phrase that the benefits in the OASDI program should provide a 'basic floor of protection.' Congressional Committees, government agencies, business and insurance groups have become fascinated with this elusive concept. Some people think of the floor as a bare rough-hewn cabin floor, others as a solid oak floor nicely polished and waxed. I like to think of it as a floor with a kind of Bigelow carpet on it not only to keep my feet warm but giving me some aesthetic pleasure also.

"Undoubtedly, the great attractiveness and usefulness has been that it can mean different things to different people. Its value is in what it conceals, rather than what it reveals."

Much as I esteem Professor Cohen, this passage disturbs and distresses me. The expression "a basic floor of protection" is not intended to be evasive, I feel sure, and I do not think it is evasive. In Professor Cohen's terms, it means something like "a solid oak floor," but without the polish and wax, which should be applied by the residents. The term definitely means more than a bare minimum of subsistence. To be fairly precise, I would say it means a level of benefits providing a minimum health and decency standard of living for most beneficiaries (taking into account their other income and assets, but without their needing to resort to family aid, charity, or public assistance).

Approaching the question from another angle, I am sure that most people who use the expression "a basic floor of protection" would agree that the existing provisions of the Social Security Act are adequate to provide such protection. Actually, "a basic floor of protection" is a more meaningful expression than the "200 a month" the Townsendites used to speak of, or the "$30 every Thursday," which was the slogan of another pension group. Such dollar amounts do not identify any aim; they may soon be rendered obsolete by changing prices; they do not take account of geographic differences, previous levels of living, family composition, and so on. In contrast, "a basic floor of protection" is a brief way of suggesting an aim which remains constant despite wide changes in external conditions and circumstances.

But let me return to that "Bigelow carpet" of protection. Is not Professor Cohen saying that a compulsory tax should be levied on Mr. B in order to provide a Bigelow carpet for Mr. C which would give "aesthetic pleasure" to Mr. A? If Mr. B wants a Bigelow carpet on his "solid oak floor" of protection, and is willing to pay for it, he can go out and buy it. Mr. C could have bought a Bigelow carpet, had he been willing to pay for it, when he was younger. As for Mr. A's aesthetic pleasure, could it not be cultivated in a way that would involve less government interference in the lives of other people?

Conclusion

In conclusion, let me note the unfortunate tendency for those who urge continual, rapid expansion of social security to be considered its "friends." Those who oppose the recurrent proposals for broad expansion are apt to be considered unfriendly to the whole idea of social security.

Actually, the opposite is probably nearer the truth. In the long run, over-expansion more than anything else is likely to discredit social security in the eyes of the American people. The higher and ever-higher payroll taxes that would be necessary in the course of time would surely lead to disillusionment.

Conversely, increasing public satisfaction in the coming years can be had if a proper balance is maintained in plans for retirement income maintenance. As I see it, this means cash social security benefits on a floor-of-protection level, with supplementation available through voluntary mechanisms. And when the retirement income problem is effectively solved, more rapid progress can then be expected on the other problems and opportunities concerning the aged.

Howard V. P. of J. S. Strauss & Co.

SAN FRANCISCO, Calif.—Leslie J. Howard, Jr. has been elected a Vice-President of J. S. Strauss & Co., 155 Montgomery Street. Mr. Howard has been with the firm for some time in the Trading Department.

Joins John H. Lewis Co.

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—Mrs. Lena Miller is now with John H. Lewis & Co., Broadmoor Hotel.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Arthur B. Newell has joined the staff of Goodbody & Co., 140 Federal St.

Securities Salesman's Corner

BY JOHN DUTTON

Some "A. B. C's" of Investment Analysis

(ARTICLE II)

This is the second of a series of articles that are being published in the CHRONICLE covering a most important subject. The primary purpose is to furnish the salesman and the investor with certain of the basic tools which can be used functionally in the study of the relative attractiveness of various securities and the balance sheet and income account items that are pertinent thereto. These articles are not intended to be all inclusive but to serve more as a "Do It Yourself Kit" that might become a foundation for further study if desired.—EDITOR.

Be Certain Your Tools Are Accurate

In any field of measurement and analysis it is necessary that the investigator uses proper equipment. A ruler that measures 12½ inches will distort your linear measurement, an improperly ground lens will produce a faulty image. And, for the purposes of our discussion, an incorrect set of figures will be worse than useless in a study of the internal relationships and ratios disclosed by the balance sheet and income account of any company. There are times when management conceals as well as distorts. Especially among the smaller, more promotional ventures is it necessary to be unusually careful as to the facts and figures that are publicly issued. The larger companies, that are well established are less likely to use some of the cruder methods of distortion that are still prevalent in this present day of applied accounting.

During the past 25 years great strides have been made by responsible firms of certified public accountants in accurately depicting and recording the financial records and activities of their clients. But record keeping and accounting is in itself an inexact science and it is sufficiently difficult to accurately appraise a situation in the exact valuations of mathematics without some of the obvious impediments that are imposed upon the analyst when he is forced to use incomplete or possibly inaccurate records.

Use Certified Statements

All financial statements that are based upon unaudited or company reports are open to question. Under no circumstances should the analyst rely solely upon unaudited figures in making his determinations. Where unaudited company figures are used they should be so designated. What good are figures that have not been substantiated, verified, and compiled by independent and capable auditors of high repute? Eliminate consideration of any company's securities unless you can start with figures upon which you can rely.

In the use of audited statements the accountants report should include the assurance that:

(1) Accounts receivable and payable have been verified by proper tests.

(2) Inventories should in no case be accepted unless a physical check was made by the accountants and other procedures properly used to verify quantities.

The item of inventory has been the graveyard of more companies and more investments than possibly any other factor used obtaining in miscalculations of the soundness of company assets. In this connection, there are six principal methods of determining inventory valuations in common use in this country today. Some are more suited to certain lines of business than to others. A change from one method of inventory determination to another should be clearly designated in the report if such has been the case during the period under review. Unless a sound reason can be advanced for any change in procedure, such a change should be viewed with caution by the analyst.

The methods of inventory valuation are in themselves an imposing study for the serious student. They are briefly, First In-First Out; Base Stock; Average Cost; Retail Method; Standard Cost; and Last In-First Out.

(3) Other current assets, such as notes receivable, should also be checked as to their physical existence and also their quality. Loans to officers should likewise come under close scrutiny. An excessive or growing amount of this item tells its own story.

All notes to the balance sheet should be read carefully. Items that are not clearly explained should be clarified before conclusions are attempted. In the area of fixed assets and longer term investments, where appraisals are given, the standing and reputation of the appraiser should be ascertained. In this field the possibility for honest disagreement as to proper valuations is such that anything less than the *most conservation* evaluation should be eliminated. Investments taken at a stated value should be checked. Securities of closely held subsidiaries, notes receivable (either secured or unsecured) should be clearly and properly disclosed and any requests by a qualified shareholder or analyst for additional facts should not be refused *unless it would obviously mean a detrimental disclosure of vital information for the corporation.* This could only be a rare happenstance. Any company that refuses vital information, or that complicates the study of facts, either through omissions or evasions, should be treated with suspicion.

How Long Does It Take?

If you stop to realize that it is your money and that of your clients (if you are a dealer or salesman of securities) that you are investing, it should not take much coaxing for you to sit down and write the management of any company in which you are contemplating an investment, and ask them for the *answers* to the questions that your preliminary study of their annual report has disclosed to you. Honest management will provide the answers. If they cannot be given to you, at least you will be given a plausible explanation. The management that has something to hide will either send you an evasive answer or ignore your letter. In either case, you can save yourself further work and most likely a future loss on a most unattractive investment.

Gonnoud Officer Of A. M. Kidder Co.

Vincent P. Gonnoud has been appointed Assistant Treasurer of A. M. Kidder & Co., Inc., 1 Wall Street, New York City, members of the New York Stock Exchange.

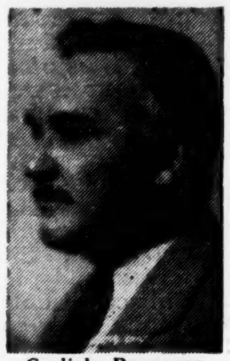
Opens Inv. Office

HUNTINGTON, N. Y.—Betty L. Hecker is conducting a securities business from offices at 251 Park Avenue.

FROM WASHINGTON ...Ahead of the News

BY CARLISLE BARGERON

Whether Khrushchev should have been invited to visit this country is debatable. But the fact remains that he has been invited and we seem to be working ourselves into an awful stew about it.



Carlisle Bargeron

Congress is working like mad not to be in session while he is here so he won't have to be invited to address that body. Senator Fulbright, Chairman of the Senate Foreign Relations Committee, is one of the few Senators who has proposed that he address a joint session and, lacking that, the Senator intends to have him appear before the committee.

Several Senators have taken to the floor to express their indignation over the visit, notably Senator Dodd of Connecticut, who calls it an outrage and suggests that we should observe the visit with a period of prayer for the enslaved peoples of Hungary and the other satellite nations.

The "Freedom House" in full page newspaper advertisements is calling upon the people to express their feelings in letters to the editor.

There appears to be a pattern toward working up an incitement to disorder if and when the Russian dictator appears. The pressure of ill-will may be worked up to such a degree that Khrushchev will cancel his visit. He cancelled a trip to the Scandinavian countries when the press became so hostile.

It would seem that President Eisenhower deserves better cooperation than this. He studied the matter of inviting Khrushchev for several months and considerable pressure was brought to bear on him to issue the invitation. He has repeatedly said that he doesn't look for any important results from the visit but believes that if he can do anything to relieve world tensions he should make the effort.

It certainly won't relieve world tensions if the opposition to the visit becomes so strong that Khrushchev calls it off or, coming here, is insulted.

Nobody expects the American people to greet him as a conquering hero and to throw flowers in his path. But they can be quietly polite. Crowds will be on hand to greet him wherever he appears for reasons of curiosity, and the Hungarian society in this country has admonished its members not to create any untoward incident.

It should be remembered that Eisenhower is to make a return visit and he will likely be received in proportion to the treatment Khrushchev receives over here.

The thing that we can't get away from is the fact that Russia is one of the two most powerful nations in the world. As much as we would like to we cannot completely ignore her, and we can't ignore the indisputable head of the state.

In Washington there is a considerable opposition to flying the hammer and sickle alongside the American flag on the parade route from the airport to Khrushchev's place of abode. The State Department has come up with the suggestion that Khrushchev should not be treated as the Chief of State. The nominal President of the country is the Chief of State, it is contended. This has piqued Eisenhower as small and petty and he may overrule the State Department and insist that the visitor be treated as the Head of State.

Khrushchev has undoubtedly been warned of the trouble he may encounter over here and, if it is too pronounced, it is bound to leave a bad taste in his mouth.

Several weeks ago we received the revolutionary Castro here and gave him a warm welcome. In fact, we have welcomed some hotly controversial characters in our time.

Vice-President Nixon's fortunes are to go up or down depending on the outcome of exchange of visits.

As a matter of fact, it has developed that he had nothing in the world to do with it. Several weeks before he went to Russia, Eisenhower initiated the correspondence which led up to the exchange himself.

Anyway, it will be a tense two weeks that Khrushchev is in this country.

The Underdeveloped Areas And the U.S. Economy

Continued from page 13

increased appreciably either since 1937-1938 or since 1928.

The substantial rise in the volume of imports into the non-industrial countries has been made possible in large measure by the nearly 25% improvement in the terms of trade between prewar and 1955, and by capital imports. For countries like India and Egypt, which accumulated large sterling balances during World War II, imports have been financed by the drawing down of these balances. The outlook for any significant long-run improvement in the terms of trade is doubtful, especially for those countries that are mainly exporters of agricultural commodities. In other words, the non-industrialized countries cannot count on another term of trade windfall in the foreseeable future. In fact they will be lucky not to lose more of what they have gained during the earlier postwar period.

Considering U. S. imports from the less developed areas, there has been no increase even in the dollar value of U. S. imports since 1951. In fact if we exclude petroleum imports, U. S. imports from the non-industrial countries were substantially lower in both 1957 and 1958 than they were in 1951 and 1952. On the other hand, U. S. exports to less developed areas were less than $6.2 billion in 1951; but were $7.9 billion and $7.0 billion in 1957 and 1958 respectively.

Now let us turn to the projections of exports of primary products to Western Europe and North America (U. S. and Canada) from the rest of the world. These projections have been made on a number of different bases, but when they are reduced to the same conceptual basis, i.e., **net** imports of primary products into Western Europe and into the United States and Canada (taken as a unit), estimates of the increase in net imports between 1953-1955 and 1973-1975 range from a low of 12% to a high of 60%.[3] While the margin between these figures is very wide, the interesting thing to note is that the difference between the most pessimistic and the most optimistic estimates can be accounted for largely by differences in the estimates for **net** imports of non-tropical foodstuffs into North America and Western Europe and in the estimates of cotton exports by the U. S. to the rest of the world. Relatively small changes in the production of agricultural commodities in the U. S., Canada, and Western Europe will affect rather substantially the rate of export growth in the non-industrial countries. Thus if the U. S. increases substantially its exports of grain and cotton, and if Western Europe seeks to become more self-sufficient in foodstuffs, total exports of these commodties by the non-industrialized countries will decline, thereby offsetting some of the increases in their exports of other foods and of fuel and raw materials. U. S. import policies with respect to petroleum and certain metals will also play a significant role in the growth of exports of the less developed areas.

Considering the fact that the less developed countries increased their imports (in constant prices) by over 50% between 1950 and 1957 (60% for Latin America) and taking into account the past relationships between imports and output growth, it is most unlikely that the less developed countries can maintain satisfactory rates of growth in output unless their imports grow at a rate of 2-2½% per year over the next couple of decades. This means that over the next twenty years, their exports to the industrialized countries must increase by some 50-60% over current levels. According to current projections, this will not be difficult for countries exporting mainly fuel and minerals. But for countries exporting chiefly agricultural commodities there may be great difficulties, largely depending upon the agricultural policies of industrialized countries of North America and Western Europe.

Rule of Capital Exports

But if the less developed countries cannot export enough to buy the imports they need for growth, why can't we fill the gap with capital exports? External capital both private and public, has been quite important in financing the imports of the less developed areas in recent years. For example, in 1957 gross capital inflow for Latin America alone amounted to over $2.2 billion (excluding grants) and net capital inflow is estimated at over $1.6 billion. About half of the gross capital inflow into Latin America in 1957 was private direct investment and the remainder took the form of loans or credits from both private and governmental sources. But loan capital and private investment cannot continue indefinitely to fill the gap between rapidly rising imports and stagnating or slowly rising exports. Capacity to service increased loans and foreign investment depends upon increased foreign exchange income. A simple example will illustrate this point. Suppose that a country borrows $100 million per year at 5% interest with the loans amortized over a period of 20 years. At the end of 12 years the service charges on the capital already received will equal the annual new capital inflow, and after 20 years, debt service will amount to about $150 million per year as against gross capital inflow of $100 million per year. Obviously at the end of 12 years export earnings must have risen by at least $100 million unless of course, import requirements have fallen by that amount. However, it is more likely that import requirements will have risen substantially in the meantime so that foreign exchange earnings must have increased sufficiently to provide for both the debt service and the increased import requirements.

But why can't capital imports continue to rise to fill the gap resulting from exports growing at a slower rate than imports? They can, but the volume of capital required soon grows to gigantic proportions. Let us assume that a country imports a billion dollars annually and exports $900 million, leaving a gap of $100 million to be filled by capital imports; and that its import requirements are growing at 3% per year while its exports increase at the rate of 2% per year. In the first year capital imports of $100 million will fill the gap. However, at the end of 10 years gross capital imports of $480 million will be required to fill the gap, again assuming 5% interest on loans amortized over 20 years. At the end of 20 years, it will require gross capital imports of a billion and a quarter dollars to fill the gap. In other words, at the end of 20 years it will take over 12 times the amount of gross capital inflow to fill the gap as it took for the first year. Moreover debt service payments will be equal to nearly 60% of the country's export earnings. It is scarcely conceivable that our international lending institutions would continue to make loans to countries under these conditions, especially when a debt service-exchange earnings ratio of 10-15% is regarded as a normal maximum.

The purpose of this exercise is to indicate that aid in the form of loans is not a feasible substitute for trade. Loans can provide an important boost for less developed economies, but within a reasonable period of time their exports must rise at a rate exceeding the rate of increase in their import needs if service on the loans is to be maintained. Of course, if aid were to be made available in the form of grants, the problem would take on a somewhat different aspect since the recipients would not have to meet the growing burden of service charges on past loans.

I should also point out that this problem cannot be solved by substituting direct private investment for loans or trade, since private capital must also be serviced, frequently at a higher rate than loan capital. In fact private capital is not going to go into countries unless the balance of payments prospects are favorable or unless private enterprise intends to produce for an export market and is permitted to retain its export proceeds for remittances abroad.

While our loans and investments in the less developed areas have been large and rising in recent years, so also have our earnings from these investments. It is rather unlikely that the net capital flow to these countries will continue to exceed the earnings received from these investments for the next twenty years. In fact, most projections I have seen indicate that net capital exports to the less developed areas will be lower than our earnings on existing investments. This would mean that if we continue to make foreign loans and investments at current rates over the next decade or so, we may need to adjust our economy to a rather substantial import surplus as the volume of our gross capital outflow begins to level off.

Implications for U. S. Foreign Trade Policy

Now I would like to state briefly what I believe are the implications of this analysis for the U. S. economy. Assuming it is the policy of the United States to promote economic growth in the less developed areas with the aid of private foreign investment and public loan capital, the United States and Western Europe must adjust their foreign commercial policies so as to permit a steadily rising flow of imports from the less developed countries and avoid policies which restrict world markets for commodities like cotton and wheat in which we are competitive with non-industrialized countries. This will not involve a large adjustment for the United States. A doubling of our non-petroleum imports from the less developed areas would amount to only about 1% of our gross national product and if we were to do this over a period of 10 years, the adjustment problem would be negligible. Moreover, adjustments of this kind, i.e., permitting increased imports and avoiding subsidized exports, would increase real income in the United States, would help to stabilize prices and above all, benefit that forgotten man known as the consumer.

If on the other hand we insist on maintaining agricultural and mineral policies which restrict the normal growth of exports of the less industrialized countries, the only way that we can provide the capital and the growing volume of commodities needed by the less developed countries for satisfactory rates of growth will be through grants. In other words if aid is to be provided in the form of loans, aid is not a substitute for trade. I think it is important that those who have been arguing for the elimination of grants in favor of more loan capital to the less developed countries realize fully the implications of their position for U. S. foreign trade policy.

3 These are GATT estimates. See *International Trade* 1956, GATT, Geneva, 1957, page 35. Optimistic ECE estimate is 75% increase from 1954-56 to 1975. See *Economic Survey of Europe in 1957*, Geneva, 1958, Chapter V, page 4. ECE estimates are not *net* import estimates as is the case with GATT estimates. Under certain assumptions regarding U. S. trade in agricultural products, the rise in *net* imports will be lower than the rise in gross imports. For a comparison of projection, see *Trends in International Trade, op. cit.*, pages 52-54.

King Merritt Celebrates Sixty-Fourth Birthday

King Merritt, President of King Merritt & Co., Inc., 85 Broad St., New York City, mutual investment fund direct sales firm, celebrated his 64th birthday Aug. 25.

King Merritt

King Merritt & Co., Inc. was founded in 1946 and is a subsidiary of Channing Corp., New York. A party was held for Mr. Merritt in the executive suite of Channing Corp.

Arthur Oppenheimer

Arthur Oppenheimer, associated with Kuhn, Loeb & Co., New York City, passed away Aug. 14. Mr. Oppenheimer had been with Kuhn, Loeb & Co. for 47 years.

Murch Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Paul T. Chess, Jr., has become connected with Murch & Co., Inc., Hanna Building, members of the New York Stock Exchange. Mr. Chess was previously with Central States Investment Co.

The Market...and You

BY WALLACE STREETE

Stocks gave up all attempts to joust with new peaks this week and settled down into a definite pattern of summer doldrums with the volume lightening to a low for nearly a year and a half.

* * *

That the hoped-for support levels around 650 for the industrials and 160 for the rails had failed to stem the selling, was a clearcut downside penetration of a trading range, but this failed to spur any urgent liquidation and both averages snapped back before the sessions turned drab and indecisive, with turnover falling below the two-million share level.

Aircrafts Laggard

The more persistently laggard items continue to be the aircrafts with some of them backing to repeated new lows for the year although there wasn't much selling to be absorbed.

* * *

A new note was a pickup in demand for some of the retailing and mail order issues, Lerner Stores and Gimbel being among the items that were repeaters on the new highs lists. These issues held up well through the 1957-58 market reaction when consumer spending was hardly affected by the business decline. With the market's immediate future a wide-open question mark, it looked like a retreat to this defensive section once more.

Demand for the Utilities

Another defensive section, the utilities, were able to show spotty demand at times but it was concentrated in the quality issues enough to give the utility average better stability than the rest of the list. This average had rough going earlier in the year when the money market tightened, but now has worked back some half a dozen points from the low, or two-thirds of the decline.

* * *

Rails and oils are the neglected items, their temporary splurges in the summer rally solving little as both ran out of steam abruptly. Barber Oil's shift to stock dividends in lieu of cash wasn't calculated to help the petroleum section and Southern Pacific's surprise stock split and higher dividend was of only momentary help either for it or the carriers generally.

Oils' Action Puzzling

The oil neglect was a bit inexplicable since the earnings reports have been good and the industry currently is in the fanfare of celebrating the first century of its existence. There have been problems, and continue to be some, for the domestic oil companies. But for long-term and steady growth, the oil industry ranks high. The recessions of 1954 and 1958 slowed the annual increase in demand, but it is a decade since the entire industry went through a year when demand didn't exceed that of the previous year.

* * *

The net result is that some of the top names in the field are still available at yields running into the 4% bracket, including the Standards of Jersey and Ohio, Socony, Richfield, Cities Service and Atlantic Refining — familiar names, all of them, and no strangers to lists of preferred investments for the professionals.

* * *

For individual issues some names that haven't been bandied about for a long time were appearing as defensive items in case there is more selling to be absorbed around Labor Day. One such is Archer-Daniels-Midland, a vegetable and animal feed firm that offers a yield of nearly 4½% well covered by earnings that jumped from $2.45 to $3.38 in the June 30 fiscal year, against a $2 requirement for the dividend. This is a distinctly nonleverage item since there is no funded debt or preferred stock hanging over the common.

* * *

In the tobaccos Liggett & Myers is a 5½% yield item, the dividend so well covered that the company abandoned the old schedule of $4 regular and $1 extra for a flat $5 regular basis. The dividend is expected to be covered by a margin of around $3 this year in further improvement in earnings that covered the payment half again over last year.

Mixed Reaction to the Steels

Steels continue to shrug off their costly strike that has idled some 85% of the mills. There have been occasional abortive flurries on ill-found rumors of an imminent end to the strike and some spotty demand for the companies that aren't closed down by the strike, such as Carpenter Steel which has one nonunion operation and another with a contract still in force. Some earnings projections of $4.75 last year, $8 this year and possibly $14 in the 1960 fiscal period make the Carpenter's $2 dividend obviously a candidate for improvement without too much time elapsing.

* * *

The concern shown by the market over strike settlement rumors, against a tradition of ignoring labor disputes, stems from a fear that the strike may continue past mid-September when some of the steel consumers will start to feel the pinch. That in turn will affect industrial production greatly and do much to stall the business upturn with a damaging effect on the profit upturn so general in the domestic economy.

* * *

The pattern of vigorous rebounds in the past when steel strikes were settled, and market action to suit, is slightly suspect at the moment. Past strikes called for stiff price increases to keep profits tilted upward and the benefits of this were reflected in the market prices long before they became actual. This strike, however, is concerned with not having to raise prices once more, and a pinch on profit-margins from added costs incurred in settling the strike are possible. Here, too, there is no way to estimate the added cost until some settlement appears definite.

Overall Caution

All this contributes to a restrained feeling toward the general market. In fact, there is a rather thorough culling of the list of convertible senior issues by the financial services to find hedges against an indeterminate future. One that was something of a double hedge was the suggestion by one service of Consolidated Edison's convertible debentures despite the fact that the liens offer a lower yield than the common stock of Con Edison itself.

* * *

The forced end of a 60-year dividend record of unbroken quarterly payments by United Fruit served mainly to kindle interest in an issue well depressed by the bad news. That United Fruit has lost some of its investment grade standing and that an earnings recovery will be slow, was offset to some extent by the issue sagging to lows not seen in more than a dozen years. And in the price range of the 20s, so attractive to the public, the issue is considered by some as one that represented inherent quality at a fair price tag. The biggest obstacle still not able to be weighed is the effect of Cuba's reform law on its sugar operations.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Beadling Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

YOUNGSTOWN, Ohio — David C. Klingman has been added to the staff of Beadling & Company, Union National Bank Building.

Investment Course At the New School

A. Wilfred May and Peter L. Bernstein to lead series on today's money management problems.

The New School announces a series of 12 sessions on "Managing Your Money: Investing in Today's Markets," beginning Thursday,

Peter L. Bernstein A. Wilfred May

Sept. 24, from 5:30 to 7 p.m. A. Wilfred May, of the *Commercial and Financial Chronicle*, economist and author; and Peter L. Bernstein, economic consultant to the New York Stock Exchange, and Vice-President and director, Bernstein-Macaulay, Inc., investment counsel, head the series. Mr. May is also economic commentator for WNEW.

The course offers practical and objective investment guidance to all concerned with the handling of money (including the non-professional investor). Discussing the problems involved in the selection of securities and their management, the series emphasizes the avoidance of prevalent psychological foibles and pitfalls, through a realistic appraisal of investment goals and opportunities.

Guest experts include: Jerome B. Cohen, in charge of Graduate Studies, Bernard M. Baruch School of Business, City College; Lewis D. Gilbert, champion of stockholder rights, lecturer and author; and J. S. Seidman, authority on taxation and senior partner in Seidman and Seidman.

Among the topics to be treated are: Forecasting and market timing, inflation, fundamentals of security analysis, portfolio management, mutual funds and investment companies, estate planning, the role of bonds in individual portfolios, and a year-end tax forum.

There will be open discussion of course members' questions and investment problems.

Registration is open now at The New School, 66 West Twelfth Street.

With Emch & Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Col. Charles E. Lancaster Jr. has joined the staff of Emch and Co., 3965 North Sixtieth Street. Col. Lancaster for the past 25 years has served with the U. S. Air Force.

First of Texas Branch

PLAINVIEW, Texas — First of Texas Corporation has opened a branch office at 921 Broadway under the management of J. M. Barker.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Board Chairman of the **Federation Bank and Trust Company, New York, N. Y.**, Jeremiah De Smet Maguire, died Aug. 18 at the age of 82. He served as President of the Bank until 1944. He also served on the Board of the Continental Bank and Trust Company.

* * *

Security National Bank, Huntington, L. I. announced plans to open its 25th office in West Islip's Southgate Shopping Center.

The new office will be Security's 18th in Suffolk County, the Bank also maintaining seven branch locations in Nassau as well as an additional facility at Suffolk County Air Force Base in Westhampton Beach.

* * *

Merger of the **Marine Midland Trust Co. of the Mohawk Valley, Utica, N. Y.**, with the **Ilion National Bank & Trust Co., Ilion, N. Y.** has been approved by shareholders. As of June 30, Marine Midland Trust had assets of almost $124,000,000, the Ilion Bank assets of $9,000,000. For each share of the Ilion Bank stockholders would receive 22 shares of Midland Trust.

* * *

The Merchants National Bank of Boston, Mass., increased its common capital stock by the sale of new stock from $4,525,000 to $5,250,000, effective Aug. 7. (Number of shares outstanding—525,000 shares, par value $10).

* * *

The following joint statement was issued Aug. 24 by Joseph H. Allen, Chairman of the Board of **The First New Haven National Bank, New Haven, Conn.**, and Edward M. Gaillard, President of **The Union and New Haven Trust Company, New Haven, Conn.**

"The Boards of Directors of The First New Haven National Bank and The Union and New Haven Trust Company, at meetings held this morning, voted to approve a proposed consolidation of the two institutions. The consolidated bank will be known as **The First Union New Haven National Bank.**

"For each share now held, stockholders of The First New Haven will receive one share, and the stockholders of The Trust Company will receive 1.20 shares of The First Union New Haven National Bank.

"It is subject to a favorable vote of two-thirds of the stockholders of each bank and the approval of supervisory authorities.

"In accordance with the retirement policy of The First New Haven, Joseph H. Allen, Chairman of the Board, and Frederick D. Grave, Chairman of the Executive Committee, will retire when the consolidation takes place. Henry L. Galpin, Chairman of the Trust Company's Board, and several senior officers of The First New Haven will also retire by the end of the year.

"Edward M. Gaillard, President of The Trust Company, will be Chairman of the Board and Chief Executive Officer of the consolidated bank. Abbott H. Davis, President of The First New Haven National Bank, will be Vice-Chairman of the Board. J. Coy Reid, First Vice-President of The First New Haven National, will be President of the consolidated bank, and Edward G. Armstrong, Senior Vice-President of The Trust Company, will be Chairman of the Executive Committee as well as head of the combined Trust Departments.

"The First Union New Haven National Bank will have total resources of approximately $230,000,000 and capital and surplus funds of about $16,000,000."

* * *

The Connecticut Bank and Trust Company, Hartford, Conn., and **The Thompsonville Trust Company, Thompsonville, Conn.**, merged under charter and title of The Connecticut Bank and Trust Company, effective Aug. 3.

* * *

Danbury National Bank, Danbury, Conn., with common stock of $300,000 was merged with and into the **Fairfield County Trust Company**, effective at the close of business Aug. 7.

* * *

George Munsick, President, **Trust Company of Morris County, Morristown, N. J.**, today announced the appointment of Robert T. Cassel as Assistant Trust Officer and Assistant Secretary. He will assume his new position Sept. 8.

Mr. Cassel, whose appointment was approved by the Directors Aug. 6, joined National Newark & Essex Banking Company in 1953. After completing two years service with the Military Forces he returned to the bank and was assigned duties in the tax division of the Trust Department. He has been in charge of this division since 1957.

* * *

The First National Bank of Middletown, Ohio increased its common capital stock from $1,320,000 to $1,500,000 by a stock dividend, effective Aug. 19. Number of shares outstanding—150,000 shares, par value $10.

* * *

Emil Schram was named a Director of the **Indiana National Bank of Indianapolis, Ind.**

* * *

By a stock dividend, the **Jamestown National Bank, Jamestown, North Dakota**, increased its common capital stock from $100,000 to $350,000, effective Aug. 7. (Number of shares outstanding—14,000 shares, par value $25).

* * *

A charter was issued Aug. 18 converting the **State Bank of Des Moines, Des Moines, Iowa**, to the **Northwest Des Moines National Bank, Des Moines, Polk County, Iowa.** President is Lindley Finch; Cashier is David G. Wright. The bank has capital of $150,000,000 and surplus of $288,706, making a total of $438,706.

* * *

By a stock dividend the **Security National Bank of Sioux City, Iowa** increased its common capital stock from $1,200,000 to $1,400,000, and from $1,400,000 to $1,700,000 by sale of new stock effective Aug. 21. Number of shares outstanding — 17,000 shares, par value $100.

* * *

The First National Bank of Lenoir City, Lenoir City, Tenn., by a stock dividend increased its common capital stock from $100,000 to $200,000, effective Aug. 20. Number of shares outstanding — 4,000 shares, par value $50.

* * *

Trust Company of Georgia, Atlanta, Ga. announces the death of Mr. Douglas M. Robertson, Senior Vice-President, on Aug. 10.

* * *

Granting of a charter for the **Airport Bank of Miami, Fla.**, to be located in Miami International Airport, is announced by Charles E. Buker, President of the new Bank.

The Airport Bank of Miami is believed the only independent Bank ever chartered to operate at an airport. Since Florida law prohibits branch banking, it was necessary to form a new bank to serve the airport.

The new bank—Miami's 33rd commercial bank—will open as soon as facilities are available, according to Mr. Buker, who also heads The Hialeah-Miami Springs Bank.

"We will offer complete banking services, plus foreign exchange facilities, and expedited services for travelers," he said. Robert E. Hesterberg will be Executive Vice-President of the Airport Bank of Miami. He is also Executive Vice-President of The Hialeah-Miami Springs Bank.

* * *

By a stock dividend, the **First National Bank of Opp, Ala.**, increased its common capital stock from $100,000 to $200,000, effective Aug. 18. Number of shares outstanding — 4,000 shares, par value $50.

* * *

A charter was issued Aug. 11 to the **Medical Center National Bank, Houston, Texas**, which has $400,000 capital and a surplus of $600,000 in resources, totaling $1,000,000. Serving as President is George R. Traylor; Cashier is Thomas E. Walden, Jr.

* * *

A two-for-one split of the stock of **First City National Bank, Houston, Texas**, was recommended to the shareholders by the Bank's Board of Directors.

A resolution adopted by the Board proposes issuance of 2,750,000 shares of $10 par value to replace the present 1,375,000 shares whose par value is $20.

The proposal will be acted upon by the shareholders at the annual stockholders' meeting on Jan. 19, 1960.

Capitalization of the First City National, Houston's largest bank, has been increased substantially since merger of the City National and First National banks in March, 1956. Capitalization at that time consisted of $21,000,000 capital stock and $20,000,000 surplus, a total of $41,000,000. Present capitalization of $55,000,000 is divided equally between capital stock and surplus.

The increase of $14,000,000 in capital funds during the past three years was accomplished through transfer of $4,000,000 of retained earnings to capital stock through stock dividends, transfer of an additional $5,000,000 of retained earnings into surplus, and sale of $5,000,000 in new stock this year. Half of the proceeds of the stock sale went into capital stock and the remainder into surplus.

* * *

John R. Keener was elected Vice-President of the **First Western Bank & Trust Company, San Francisco, Calif.**, at the Los Angeles, Calif. administrative headquarters.

* * *

Merger certificate was issued July 28, approving and making effective as of the close of business Aug. 14, the merger of the **First National Bank of Orange Cove, Orange Cove, Calif.**, with common stock of $100,000 into **Security First National Bank, Los Angeles, Calif.**, with common stock of $73,902,500. The merger was effected under the charter and title of Security First National Bank with capital stock of $81,430,250, divided into 6,514,420 shares of common stock of the par value of $12.50 each.

* * *

The Seattle-First National Bank, Seattle, Wash., increased its common capital stock, as of Aug. 20, from $20,000,000 to $25,000,000 by a stock dividend. Number of shares outstanding — 2,500,000 shares, par value $10.

Names New Directors

Three directors have been elected to the board of General American Oil Company of Texas, A. H. Meadows, Board Chairman, has announced.

The new directors are Ruchton L. Ardrey of Dallas, William L. Kistler, Jr. of Tulsa, and Charles W. Lewis of New York.

Mr. Ardrey is a senior Vice-President of the Republic National Bank of Dallas and has been closely associated with the company's financing activities for a number of years.

Mr. Kistler, a former partner in the firm of Merrill Lynch, Pierce, Fenner and Smith, Inc., is an independent oil operator and has been associated with General American in operating a number of properties for over 20 years.

Mr. Lewis is senior partner in the law firm of Townsend & Lewis of New York, counsel for the company since incorporation in 1936.

The new directors will increase the board to 17 members.

New Walston Branch

LAKE TAHOE, Calif.—Walston & Co., Inc. has opened a branch office in the Lakeview Building, with Rodger W. Bridwell in charge.

Morgan Stanley Group Offers General Motors Acceptance Debentures

A nationwide underwriting group headed by Morgan Stanley & Co. and comprising 226 investment firms placed on the market yesterday (Aug. 26) an issue of $125,000,000 General Motors Acceptance Corp. 21-year 5% debentures. The debentures, which mature on Sept. 1, 1980, were priced at 100% and accrued interest. This issue represents the first public financing by GMAC since Feb. 19, 1958.

The net proceeds from the sale of the debentures will be added to the general funds of the company and will be available for maturing debt or for the purchase of receivables. Such proceeds may be applied initially to the reduction of short-term borrowings.

The new debentures are not redeemable before Sept. 1, 1964. On and after that date the company may, at its option, redeem the debentures at 103½ if redeemed before Sept. 1, 1965, and thereafter at prices decreasing to the principal amount on and after Sept. 1, 1975. There is a special redemption privilege providing for reduced premiums in the event of stipulated declines in GMAC United States retail receivables.

GMAC finances the distribution of new products manufactured by General Motors to dealers for resale, and finances such dealers' retail instalment sales of new products as well as used units of any make. Financing related to automotive vehicles comprised 98% of the dollar volume of receivables purchased in the first six months of 1959.

Notes and bills receivable, after deducting unearned income and loss reserves, held by the company at June 30, 1959, amounted to $4,248,959,000, compared with $3,670,656,000 at Dec. 31, 1958.

All of the outstanding capital stock of GMAC is owned by General Motors Corp. Total capital stock and surplus at June 30, 1959, amounted to $315,866,000.

FIC Banks Offer Debs.

The Federal Intermediate Credit Banks on Aug. 20 offered a new issue of approximately $113 million of 4.65% nine-month debentures, dated Sept. 1, 1959 and maturing June 1, 1960.

Priced at par, the debentures are being offered through John T. Knox, Fiscal Agent, and a nationwide selling group of securities dealers.

Proceeds from the financing will be used to refund $124 million of 3½% debentures maturing Sept. 1, 1959, and for lending operations.

Amott, Baker Branch

ALTOONA, Pa.—Amott, Baker & Co., Incorporated, have announced the opening of a new branch office in the Central Trust Building under the direction of Fenton R. Middlesworth, who has been in the securities business since 1936. He started his career with Amott, Baker & Co. but subsequently served as a registered representative for two other New York Stock Exchange member firms before rejoining Amott, Baker & Co.

Robert N. Maguire will serve as a registered representative in the Altoona office. He has been associated with a NYSE member firm and prior thereto was with a public accounting firm in Altoona for several years.

Herbert W. Masters will serve in the Mutual Fund Department. He comes to Amott, Baker & Co. from a nationally known Mutual Fund Distributor and will specialize in the securities of a large number of investment companies.

LEGAL NOTICE

Notice of Names of Persons Appearing As Owners of Certain Unclaimed Property

Held By

Empire Trust Company

of New York, N. Y.

The persons whose names and last known addresses are set forth below appear from the records of the above-named banking organization to be entitled to unclaimed property in amounts of twenty-five dollars or more.

Amounts Due on Deposits

Herman Keppler
424 West 48th St., New York, N. Y.
Est. Maria L. Watson, Dec'd
c/o John P. Walsh, 420 Lexington Avenue, New York, N. Y.
John Hall Watson, Adm.

Amounts Held or Owing for the Payment of Negotiable Instruments

Ann M. Hain—Address unknown
N. Y. Life Ins. Co., Acc't of Robert Kaufman (Policy #8424005)—3820 Laurel Ave., Brooklyn, N. Y.

A report of unclaimed property has been made to the State Comptroller pursuant to Section 301 of the Abandoned Property Law. A list of the names contained in such notice is on file and open to public inspection at the principal office of the bank, located at 20 Broad Street, in the City of New York, New York, where such abandoned property is payable.

Such abandoned property will be paid on or before October 31st next to persons establishing to its satisfaction their right to receive the same.

In the succeeding November, and on or before the tenth day thereof, such unclaimed property will be paid to Arthur Levitt the State Comptroller and it shall thereupon cease to be liable therefor.

LEGAL NOTICE

NOTICE OF NAMES OF PERSONS APPEARING AS OWNERS OF CERTAIN UNCLAIMED PROPERTY HELD BY

WEST SIDE FEDERAL SAVINGS AND LOAN ASSOCIATION OF NEW YORK CITY

New York, N. Y.

The persons whose names and last known addresses are set forth below appear from the records of the above-named banking organization to be entitled to unclaimed property in amounts of twenty-five dollars or more.

AMOUNTS DUE ON DEPOSITS

BERKOWITZ, Harry, 1305 Wilkins Avenue, Bronx, N. Y.
FISHER, Abraham, 1739 East 33rd Street, Brooklyn, N. Y.
GOLDSOBEL, Max, 2776 Jerome Avenue, Bronx, N. Y.
MOCCIA, Jennie, 2163 Mapes Avenue, New York, N. Y.
ZAUDERER, Dorothy, 102 East 52nd Street, New York, N. Y.

A report of unclaimed property has been made to the State Comptroller pursuant to Section 301 of the Abandoned Property Law. A list of the names contained in such notice is on file and open to public inspection at the principal office of the bank, located at 1790 Broadway, in the City of New York, New York, where such abandoned property is payable.

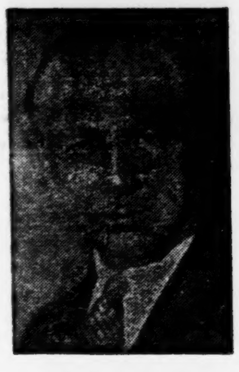
Such abandoned property will be paid on or before October 31st next to persons establishing to its satisfaction their right to receive the same.

In the succeeding November, and on or before the tenth day thereof, such unclaimed property will be paid to Arthur Levitt the State Comptroller, and it shall thereupon cease to be liable therefor.

World Business Leaders May Begin Trade Talks With Russia, Cortney Reveals

Industrialist-economist, on return from visit to Russia, tells of adoption of preliminary steps to explore capitalist-communist terms of trade. Mr. Cortney cites obstacles, pointing to the need for the Soviets' acceptance of principle of arbitration. Reports Moscow completely mum on gold.

The Soviet Union is prepared to enter into direct talks with business leaders of the free world on the expansion of East-West trade, according to an official of the International Chamber of Commerce.



Philip Cortney

A proposal for such talks was made during an exchange of views in Moscow between Soviet trade and economic officials and Philip Cortney, Chairman of the United States Council of the International Chamber of Commerce and President of Coty, Inc. At a press conference held at the Overseas Press Club, in New York City, Mr. Cortney revealed that the meetings resulted in initial steps towards the formation of a joint committee to "explore the terms on which regular and normal trade could be established between the capitalist and the communist countries."

Under ICC Auspices

The committee according to Mr. Cortney would be formed under the auspices of the International Chamber of Commerce. The Chamber represents business leaders in 40 countries outside the communist bloc. It is recognized officially by many intergovernmental bodies including the United Nations as the chief spokesman for world business interests. Mr. Cortney's conversations originally had been concerned only with overtures by the Russians on the formation of a USSR national committee of the Chamber.

Joint Committee Proposed

The USSR Chamber of Commerce which Mr. Cortney said functions more as a ministry of trade than as a chamber of commerce had been proposed as the body to constitute a Russian national committee of the International Chamber. In discussing the question of Russian membership with N. V. Nesterov, head of the USSR Chamber, Mr Cortney proposed the joint committee. He said that "Mr. Nesterov was enthusiastic about the proposal and I agreed to initiate it within the ICC and work for its implementation." Mr. Cortney also proposed "that the Russian Chamber of Commerce accept the decisions of the Court of Arbitration of the ICC in all conflicts which may arise from trade between the USSR and the other nations belonging to the ICC."

Discussions With Soviet Economists

Discussions with Mr. Nesterov led to a suggestion by Mr. Cortney that he should meet the Russian economists likely to serve on the proposed committee. Mr. Cortney thereupon had extensive conversations with a Mr. Rubinstein, Vice-Chairman of the Institute of World Economy and International Relations of the Russian Academy of Sciences and eight other members of the Academy. They exchanged preliminary views on the conditions necessary for the establishment of expanded trade including a code of ethics with severe sanctions to govern all transactions.

Mr. Cortney was optimistic about the acceptance of the proposal by the governing body of the International Chamber of Commerce which will meet in Paris in the Autumn. He added that discussions among the Chamber's leaders are already taking place.

Gold Policy Top Secret

Mr. Cortney reported his complete frustration in attempts to air any aspects of the gold situation.

"The Russians were interested in my views on gold but would not discuss their own nation's situation," said Mr. Cortney, "in spite of all my efforts I was unable to obtain any light on the Russian policy with regard to gold. I got the impression in the course of the conservation that this matter is shrouded in mystery and is considered one of the top secrets of the Russian state."

Silver Creek Common Stock Being Offered

Maltz, Greenwald & Co. on Aug. 26 offered 1,600,000 shares of Silver Creek Precision Corp. common stock at a price of $2.75 per share.

Of the total shares offered, 200,000 are being sold for the company, and 1,400,000 shares are being offered for the account of three selling stockholders.

Net proceeds from the sale of stock offered for the company will be used for modernizing plant and equipment at Silver Creek, N. Y.; for acquiring and installing die-casting facilities; for reducing obligations and redeeming all outstanding ten-year convertible 6% debentures; and for development and promotion of The North Orlando Co., a wholly-owned land development company in Florida.

Products of Silver Creek Precision Corp. include intricate and high grade non-ferrous aluminum and brass castings, and a full line of fog generating and dispensing machines. The latter units are made in various sizes, and are used primarily for insect control, odor replacement and defoliation. The company also makes a special purpose outboard motor for quiet operation which is powered by a heavy duty automobile battery.

The North Orlando Co., acquired last year, owns about 3,640 acres in Seminole County, Fla., where it is planning and developing the incorporated community of North Orlando. The company does not intend to build but will confine its effort to developing and selling lots and acreage tracts.

If all the stock being offered is sold, outstanding capitalization will include 5,072,851 shares of common stock, $379,482 in notes payable, and $157,368 in mortgages payable.

Now Corporation

C. B. Whitaker Co., Inc. has been formed to continue the investment business of C. B. Whitaker, 25 Broad Street, New York City. Officers are Clarence B. Whitaker, President; William Kobe, Vice-President; and Anthony Zappa, Secretary-Treasurer.

Scheffmeyer & Co. Admits

Scheffmeyer & Co., 115 Broadway, New York City, members of the New York Stock Exchange, on Sept. 1 will admit H. Guion Benedict, member of the Exchange, to partnership. Mr. Benedict is a partner in Richards, Heffernan & Benedict which will be dissolved Aug. 31.

Our Reporter on Governments

BY JOHN T. CHIPPENDALE, JR.

The movement of prices of Government securities seems to indicate that the commercial banks are still sellers of these obligations, not only for tax purposes, but also in order to obtain funds which are being loaned out by these institutions. It is reported that the demand for loanable funds is increasing and, with the money market very tight, the deposit banks must sell some Government issues in order to get the money for loans. The selling of Government securities by the commercial banks, according to advices, has been concentrated in the intermediate-term issues.

The defensive tone which has been evident of late in the Government market probably can be attributed to concern over the impending demand for funds and the very tight rein the monetary authorities are keeping on interest rates and credit.

Outlook for Interest Rates

The money market appears to be moving into another cautious vein because there is considerable question as to what will be the trend of interest rates with the coming of fall. A settlement of the steel strike will come one of these days and after this has taken place there will be more to go on with respect to the future course of economic conditions. It is evident that a prolongation of the disagreement between labor and management in the steel industry will have an adverse effect upon the business pattern. Accordingly, it is not expected that there will be any further tightening of money conditions as long as the steel industry is closed down.

On the other hand, it is not to be expected that the restrictive monetary policies will be loosened to any degree during the time when the steel strike is on, unless it goes so long as to cause the economic picture to deteriorate. To be sure, there is quite likely to be a sustained and sharp demand for funds this fall and winter and, unless there is some help from the Federal Reserve Banks, the money market might be very tight. This could result in an increase in the prime bank rate as well as the discount rate.

However, it is not expected in most money market circles that the Central Banks will allow the interest rate pattern to tighten very much, if any at all, the early part of the fall, since there are business and crop movements that have to be financed. And these are the elements that go to make up the economic pattern which must be kept on a fairly even keel. However, if there is a greater desire to push it downward in order to thwart the forces of inflation, then higher money rates and tighter credit conditions is one of the ways it can be done with the passage of time.

Short-Term Rate Above Discount Levy

The short-term rate for Government obligations has been moving upward, and this may be attributed in no small measure to larger offerings of Treasury bills which are being used as a means to raise new money. This increase in near-term rates has carried the yield on 91-day Treasury bills to levels above the discount rate, which was raised to 3½% last May. The demand for the most liquid Government is, however, expected to continue to be sizable, and the Treasury's new money raising operation involving the shortest Government issues should be completed in the not too distant future. This should mean that both the money market and the bond market should be in for a short breather since the Treasury is not expected to be back in the market for new funds until some time late in October. However, the test period for both the money market and the bond market for Government obligations appears to be ahead of them, probably during late fall or the early winter.

Huge Corporate Debt Volume in Prospect

The capital market, after a period of dullness, is again taking on signs of greater activity since several new corporate bond issues are in prospect and it seems as though the fall and winter of 1959 could usher in larger offerings of these securities. It does not appear likely that the Government will be coming into the capital market for either new funds or for refunding purposes since the Congress is evidently not going to increase the long-term interest rate level for Treasury bonds above the 4¼% level. This could leave the capital market pretty much for the flotation of corporate and tax-exempt securities.

Supermarket Chain's Initial Common Stock Financing Effected

Simmons & Co. on Aug. 26 offered 425,000 shares of Big Apple Supermarkets, Inc. common stock at a price of $2 per share. The offering marks the first public sale of the supermarket chain's stock.

Net proceeds from the sale of the common shares will be used by the company for working capital and for a program of expansion to finance the opening of additional food supermarkets.

The company, with its principal offices in Brooklyn, N. Y., operates three supermarkets in Brooklyn, and one in Bayside, Queens, and presently plans to open two additional markets, one in New Hyde Park, N. Y., in September 1959, and another in Hewlett, N. Y., probably in January 1960. Sites of these new supermarkets are located in Nassau County.

For the 52 weeks ended Feb. 28, 1959 the company and its wholly-owned subsidiaries had consolidated sales of $5,577,643 and net income of $108,304. Upon completion of the current financing, outstanding capitalization of the company will consist of $48,070 of sundry notes payable after one year; and 1,062,500 shares of common stock.

Now With Daugherty, Butchart & Cole Inc.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Chester E. Ryder has become associated with Daugherty, Butchart & Cole Inc., 729 Southwest Alder Street. He was formerly with Earl C. May and prior thereto with Bosworth, Sullivan & Co. of Denver.

New Butler, Wick Office

ALLIANCE, Ohio — Butler, Wick & Company has opened a branch office in the First National City Bank Building under the management of Edward L. Knight. Mr. Knight was formerly local manager for Livingston, Williams & Co.

Picoli, Caulfield To Admit Partners

Picoli, Caulfield & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, on Sept. 1st will admit Richard W. O'Brien to general partnership, William Shippen Davis to general and limited partnership, and Esmonde F. O'Brien to limited partnership. All are members of the New York Stock Exchange. Richard W. O'Brien and Esmonde F. O'Brien are partners in E. F. O'Brien & Co. which will be dissolved as of Ang. 31.

New Firm Name to Be Porges Singer

On Sept. 3rd, Donald J. Singer will become a partner in Porges & Co., 15 Broad Street, New York City, and the firm name will be changed to Porges, Singer & Company.

Irving Weis & Co. to Admit S. Florin

Irving Weis & Co., 40 Exchange Place, New York City, members of the New York Stock Exchange, on Sept. 3rd will admit Stanley Florin to partnership.

Carl Bagwell Opens

CLEVELAND, Miss.—Carl Bagwell is conducting a securities business from offices at 217 South Leflore Avenue under the firm name of Carl Bagwell Investment Company.

Now Price Inv. Co.

TUSCALOOSA, Ala.—The firm name of J. E. Price Cotton Company, 418 Greensboro Avenue has been changed to J. E. Price Investment Company.

Now With Insurance Stocks

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert C. Avrett has become affiliated with Insurance Stocks, Inc., Majestic Building. Mr. Avrett was formerly an officer of Liberty Investment Company.

Opens Branch Office

SEEKONK, Mass. — Dewey, Johnson & Co. has opened a branch office at 1028 Newman Avenue under the management of Clayton L. Woodworth.

As We See It

Continued from first page

nological advances, and, of course, a perfectly natural result is that more is now produced with a smaller work force. In fact, one of the compelling reasons for these huge expenditures has been the high cost of labor and the hope that it would be possible in this way to reduce the number of wage earners on the pay roll without hurting production, or to increase production without adding proportionately to the number of wage earners on the pay rolls. Of course, this is another way of saying that more steel is now produced per manhour, or to use the popular phrase "productivity" has increased. But if the informed observer is not by now well aware of the fallacy of thie "productivity" argument for higher wages, he is certainly lacking in ordinary common sense.

The Presidential fact finders set out these and other related facts and noted the rate of change in sundry factors, but when they were all through the situation is left just about where it stood when the strike began weeks ago. Politicians can no doubt pick out certain facts here made handily available and use them to prove—or seem to prove—this, that, or the other point which they want to make. It is noteworthy that the leading figures in the strike have not found it profitable to make a great deal of the report of the fact finders—for the simple reason, no doubt, that there is nothing there—and there could not well be anything there — which has not already been cited in arguments about the merits of the claims and counter claims.

Naturally enough, the fact finders had nothing to say about it, but it is well known that what is regarded as the "pattern-making" quality of any settlement in the giant steel industry has vested this controversy with more than common interest in many high quarters. The fact is, however, as the fact finders do point out, that settlement after settlement this year in industry after industry has yielded higher rates of pay for the wage earners involved. This creeping inflation in the wage structure has attracted little attention in official quarters and the politicians have had little interest in it. We find ourselves unable to say that what the steel industry does automatically sets the "pattern" for other industry or not. Certainly, a good many have already set their own patterns this year.

In final analysis, however,—and this is the crux of the current situation—a "pattern" of higher and ever higher wages and more and more restrictive work rules has long been set by factors far afield from any agreement in the steel or any other industry. It has been set by the New Deal doctrine that the more labor is paid the more consumer purchasing there will be, with the consequence that prosperity is always promoted by higher wages. It has been set by the long and persistent promotion by the New Deal—and its followers—of labor monopoly in this country. It has been set by the Rooseveltian tactic of arranging a political combination between organized labor and the farmer with *quid pro quo* strategy as its basis.

Pattern Setting Factors

These are some of the factors which really set the pattern of wage inflation in this country, and until they have been eliminated or brought under control that inflation will continue. If continued inflation is to be avoided in the steel case, it will have to be accomplished against the force of these factors. And if these factors are permitted to remain in full force, it is not likely that any arrangement which attempts to defy the pressures these factors exert will or would be permanent. There is no rule of thumb which would relate "fair" settlements of such disputes to such things as profits or productivity. What we must have is competition of a sort which will permit the markets to be the arbiter in these matters. There is no other way out.

The response by Congress to the President's insistance upon a more rigorous labor measure than many among our national legislators would like to have seems to indicate that there is a tide of some sort running more toward sanity in this matter of labor unionism than has been the case since Franklin Roosevelt upset the apple cart in the 'Thirties. Just how strongly this tide is running we have no way of knowing. We can only hope that it will not presently vanish. Of course, we need much more than is included in the labor bill that the President is championing, but at least its adoption in the face of the threats and the wirepulling by labor lobbyists would or could mark a beginning of a movement which could bring great benefit to us all.

Meanwhile, apparently, we must all possess our souls with patience while union officials make wild statements which do not accord with facts, and refuse to come to terms which seem to us all to be more than reasonable.

Savings Bank Operations Under The Federal Reserve's Policies

Continued from page 6

case. I do not think that such efforts would be in the nation's best interests or that they would be successful. Let me give you my reasoning on this score.

Dangerous Price-Fixing

Fundamentally such a policy is price-fixing of a very dangerous type. Interest rates are nothing but the expression of the price of money. Interference with this price, as in the case of any price-fixing, interferes with the normal functioning of the price mechanism.

The Treasury has recently had to pay 4.75% for 4¾-year money. This happened to be on a refunding but the arguments are just as persuasive had this represented the borrowing of new money. Why would not 4.25% or even 3.75% have done as well.

The answer is relatively simple. First of all, the 4.75% was the rate necessary to compete with other money market instruments. In our economy the Treasury is not a preferred borrower. Fundamentally, however, these rates are only the technical reflections of the state of economic affairs in which the demands for funds are pressing against the available supply. What are the salutary effects of the higher level of rates resulting from the interplay of free market forces? First of all, higher rates are likely to attract new savings that might not otherwise have been created. Second, and of much more importance, savings already accumulated may be prevented from being used in an inflationary manner so as to result in an unsustainable level of economic activity.

One example of this kind of thing is to be found in the stock market. True, the amount of credit being extended in this area is relatively minor but credit is not the only means by which unsustainable economic activity may be created. A simple example will demonstrate the point. Let us assume that I own a block of common stocks purchased years ago. John Doe, impressed with the record made by the stock market in recent years, buys my stocks and pays cash for them. I suddenly find myself with a lot of money that I did not have before, but since this money came easily, I decide to buy a second automobile which I can assure you I do not need and could otherwise ill afford.

Moreover, it is not even necessary to have an actual stock transaction for the influence of rising stock prices to be felt in the economy. The mere fact that my stocks are rising gives me the feeling that I can now afford to spend more freely.

This is the kind of unsustainable economic activity which we should try to avoid. It is hopeful that the rate of 4.75% on government bonds will dissuade John Doe from buying my stocks and thus financing my unneeded second automobile. If it does not, then the rate on government securities must go still higher.

I know that in this matter of allowing interest rates to increase, many worthwhile projects may become casualties or will have to be postponed.

On Influencing Government Bond Yields

Now let us examine the proposal to influence government bond yields in terms of some of the events that were taking place in the bond market in 1958. I have in mind that in the Spring of that year there were sharply divided viewpoints on the proper level of long-term interest rates. A most reliable person, who had the benefit of economic advice of the highest order, was of the opinion that he could not understand why long-term interest rates were not 1% lower than was actually the case. On the other hand, there were others who felt that, while we were in a temporary recession, the long-range economic problem of the nation still was the control of inflation. Suppose the Federal Reserve Board, however, had adopted the former point of view and the long-term government bond market had been put up another 21 points[1] in reflection of a lowering of long-term yields by the 1% mentioned. We know now that throughout the closing months of 1957 and the first six months of 1958 a most undesirable situation was created in the government securities market. We also know that in July of 1958 the Treasury and the Federal Reserve system in combination bought $650 million to avert a disorderly condition in the government securities market. Order was restored by these purchases but I know of no one who holds that the decline in the bond market since that time has been any less because of these purchases. If $650 million of purchases were insufficient to change the ultimate course of the bond market, who can say how much would have been necessary?

I would certainly not disagree with anyone who would say that the June-July decline in government securities was caused by an unfortunate technical position in that market. Nevertheless I hesitate to think of what the technical position of the market might have been had it been known throughout the late Winter and early Spring of 1958 that the Fed was actively buying longer maturities as it was pursuing its program of monetary expansion. What kind of a situation might we have had on our hands now had the long-term bond market been 20 points higher in June 1958?

If we can be in agreement that the Federal Reserve should not conduct itself so as to influence directly the level of long-term interest rates, is there not something the Federal Reserve might do to give assistance to the market for long-term Government securities? Can it not to a degree at least create a preferential situation in the market for the Treasury?

Let us assume a market condition under which long-term Governments are selling to yield 3.50% and long-term corporates are selling to yield 4.00%. Here we have what might be considered a normal spread between these two types of obligations. Let us assume further that economic conditions are such that it is the decision of the Board of Governors of the Federal Reserve System to allow the money market to tighten and under such a program the corporate market might be expected to decline in price to the point where the going rate would be 4½%. In a completely free market it can be assumed that long - term Government bonds would decline in price similarly and afford a yield of 4.00%, again keeping our so-called normal relationship. However, under its program of giving a measure of support to the long-term Government market, the Fed decided that these bonds should be allowed to decline only to the point where they yield 3.75%. Our spread between Governments and corporates has now widened to .75%. Under our Bank's policy of acting on these relationships, we would become sellers of Government securities and buy corporates. The Fed's problem of maintaining Governments at the 3.75 level would become just that much more difficult. But even if we were not to take advantage of the situation thus created by the Fed, and if all other long-term investors similarly refrained from taking advantage of this situation, what would be the circumstances?

I have put this case to you in terms of what the Bowery Savings Bank does, but let us assume that no one took advantage of the condition created by the Fed and the Secretary of the Treasury decided that this was an opportune moment to sell new long-term bonds. We at the Bowery are not the only ones watching these spreads although we may be among the few taking advantage of them in what is called the secondary market as opposed to the market for newly issued securities. Investors with new funds would have the option of purchasing either the Treasury's new offering at 3.75% or purchasing high-grade corporates to yield 4.50%. What investment manager acting on behalf of his clients would choose the Government bond as against the corporate? The Treasury might sell a few long-term bonds to unsuspecting investors but would the amount be sufficient to help the Treasury in its debt management problem? Would the investors so mouse-trapped be willing buyers of the Treasury's offering the next time?

What we need is more friends for Treasury bonds, not fewer.

[1] As measured by a 32 year 3½% bond as offered by the Treasury early in 1958.

EXHIBIT I
SUMMARY
BOND INCOME, PROFITS AND LOSSES
1946-1958
(as percent of average investment)

Year	(1) Operating Income	(2) Net Profit or Loss*	(3) Net Income
1946	2.49%	2.28%	4.77%
1947	2.53	.28*	2.25
1948	2.54	.61*	1.93
1949	2.61	.35	2.96
1950	2.49	.11	2.60
1951	2.28	.47*	1.81
1952	2.47	1.17*	1.30
1953	2.62	1.46*	1.16
1954	2.68	.97*	1.71
1955	2.79	.16*	2.63
1956	2.97	.55*	2.42
1957	3.25	1.01*	2.24
1958	3.50	.06	3.56
Average 1946-58	2.71%	.28%*	2.43%

Jacques H. Herts

Jacques H. Herts, who retired 15 years ago as a Vice-President and director of Albert Frank-Guenther Law, Inc., New York, advertising agency, died suddenly of a heart attack, Aug 24th. He was 65 years old.

Mr. Herts was a native of New York City, attended local schools and became an original member of the Albert Frank Agency, predecessor of the present company. He retired 15 years ago after more than 33 years of service with the agency.

Edwards Branch in Ames

AMES, Iowa — A. G. Edwards & Sons has opened a branch office at 315½ Main Street under the direction of Max Cutler.

Kalman Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — John E. Schwarz has joined the staff of Kalman & Company, Inc., McKnight Building.

Mutual Funds

BY ROBERT E. RICH

How to Win Over the Independent Investor

As any security analyst is well aware these days, the job of sizing up companies and industries is not getting any easier. Diversification is creating a flock of new corporate hybrids. The drive toward foreign investment by domestic firms is complicating the picture further. Perhaps even more of a challenge, however, is keeping up with the swift and often abstruse technological developments in U. S. industry.

But if the analyst himself is sometimes confused, where does the independent investor stand? Now, as rarely before, successful investment requires more and more time, more and more information and more and more experience. The stratospheric rise of the financial media and the advisory services indicates rather clearly that a growing number of investors feel themselves ill-equipped to go it alone.

There are, of course, as many different types of mutual funds as there are types of investors. Yet the big undercurrent of the past few years has been toward growth stocks. And a good many investors who choose to stick to independent trading obviously feel they can better the record of the mutual funds because they are not so diversified as the funds themselves. It is high risk business. Too frequently, these non-professional investors wind up buying a Sperry Rand or a Texas Instruments for all the wrong reasons. They obviously cannot stay on top of the situation. In a constantly changing market, the odds are great that they will be disappointed.

For those funds which emphasize growth, the problems such an investor faces present a valuable talking-point. What the "lone wolf" trader simply does not know is the sheer complexity of determining how much profit can ultimately be obtained through technological developments. Often, what the game comes down to is a day-to-day surveillance of such imponderables as competitive break-throughs and military spending. It is a professional's job.

A good idea just how a fund can tap this potential is illustrated in a recent issue of Aviation-Electronics News, a publication of **Group Securities, Inc.** and **Aviation-Electronics-Electrical Equipment Shares.** This issue is devoted to computers. It explains just what computers, data-processing equipment and electronic control systems are, discusses their potential both militarily and commercially.

Adds Aviation-Electronics News: "It follows from the above that, overall, the electronic equipment manufacturing industries should enjoy considerable growth in the future. Mere growth, however, does not necessarily imply greater profits. Nor does it mean equal success for each and every company in this dynamic, ever-changing field. . . . The average investor is not in a position to cope with the evaluation of the great variety of complex problems with which he is confronted."

The point is that mutual funds can cope with such problems. The big challenge lies in making more independent investors aware of that fact.

The Mutual Funds Report

Mutual funds now account for **$10.6** billion, or 3.55%, of the **$299** billion worth of common and preferred stock listed on the New York Stock Exchange, the **National Association of Investment Companies** has reported. Since the end of 1958, the proportionate amount of open-end investment company holdings has gained by .15%.

In 1940, the association noted, mutual funds held only an estimated ¾ of 1% of N.Y.S.E. listed securities. During the past 18½ years, that percentage has increased nearly five-fold. This has been accomplished despite the sharp gain in supply of listed securities and in stock prices. Over 1956, 1957 and 1958, the proportion of mutual fund holdings has remained constant at approximately ¼ of 1% each year, reported the association.

Other than the N.Y.S.E. holdings, open-end investment companies also own about 3,500 listed and unlisted bonds, preferred and common stocks of more than 2,000 corporations, the association points out.

* * *

Sales of mutual funds took a leap forward in July, pushing total net assets upward. At the same time, however, redemptions also ran higher. This was disclosed by George A. Mooney, executive director of the **National Association of Investment Companies,** in the latest monthly report of the association's 155 member companies.

During July, sales of open-end shares rose to $220,776,000, compared to $181,577,000 in June and only $160,675,000 in July of 1958. Total net assets amounted to $15,532,827,000 compared to $14,971,906,000 in the previous month and $11,121,627,000 in the same month a year ago. Redemptions totaled $73,704,000, slightly higher than the $70,194,000 figure of June but far ahead of the $41,493,000 reported in July, 1958. The number of new accumulation plans opened came to 30,549, compared to 30,137, one month earlier and 19,168 in the year-ago month.

* * *

Puritan Fund, Inc. boosted its net assets by 54% and its net assets per share by 32% during its fiscal year ended July 31, 1959. Year-end figures were $71,221,083 in net assets, equal to $8.36 per share, while the tally at the end of fiscal 1958 was $46,217,891 in net assets, equal to $6.33 per share. The number of shares outstanding grew from 7,307,142 to 8,520,687. The number of shareholders increased from 17,600 to 20,200.

Dividends from investment income during the fiscal year came to 36¢ per share, the same as in the previous year. On Aug. 4, 1959, the fund declared a distribution of 11¢ per share from realized portfolio gains.

Distribution of assets was little changed over the course of the year. The breakdown: 79.6% common stock, 10.5% bonds, 8.7% preferred stocks and 1.2% net cash and receivables.

* * *

In its first annual report, **American Enterprise Fund, Inc.** discloses that its net assets were $423,657, or $13.41 per share, on June 30, 1959. This represents a gain of 350% in assets and 34% in assets per share since the fund was started last Sept. 10, announces Phillip Goos, President.

The fund, managed by Edward A. Viner & Co., Inc., sells its shares without sales load or commission charges. The majority of its shareholders have had their positions only since last March 18, the date of its public offering.

Primarily a common stock fund, American Enterprise had 78.41% of its assets in that type of security at June 30. Largest industry holdings were electronics and electrical equipment, 14.45%; oil and gas, 13.87%, and utilities, 10.98%. Biggest single issue holdings were in Fairchild Camera & Instrument, Stanley Warner, Consolidated Cigar, J. I. Case Co. 5¼% convertible debentures due 1983 and Cutler-Hammer.

* * *

A record high in net assets was registered by **Colonial Fund, Inc.** in its third quarter ended July 31, 1959, announces James H. Orr, President. Net assets amounted to $77,100,000, or $11.20 per share, compared to $60,100,000, or $9.95 per share, nine months earlier. Sale of new shares accounted for about $11,000,000 of the increase.

Purchases during the latest quarter were: Allied Chemical, Anaconda, Dictaphone, Equitable Gas, Illinois Power, Kaiser Aluminum & Chemical 4⅛% convertible preferred, Philips Lamp (1,000 florin shares), Riegel Paper, Standard Accident Insurance, Transcontinental Gas Pipe Line, Intermountain Gas subordinated debentures 6s 1984 with common, and Martin Co. sinking fund debentures 5½s 1968 ex-warrants. Sales during the period: Columbia Gas, Klein Department Stores, Phelps Dodge, Puget Sound Power & Light, Reynolds Metals 4½% convertible preferred, St. Croix Paper, Detroit Steel 4⅞s 1970 and Ling-Altec Electronics convertible subordinated debentures 5½s 1970.

* * *

American Mutual Fund, Inc. increased its net assets by 45.6% to $121,413,228 during the 12 months ended July 31, 1959. Over the same period, the fund's net assets per share, adjusted for capital gains distributions, grew by 28.1% to $9.78. These distributions came to 44¢ per share during the 12 months.

Biggest industry holdings at July 31 were utilities and telephone, 11.6%; steel, 9.3%; oil, 7.2%; transportation, 7%; electrical and electronic, 5.4%, and banks, 5.2%. Largest individual investments, at market, were U. S. Steel, American Telephone and Telegraph, International Harvester, Norfolk & Western, Southern Pacific, Standard Oil of California and Texaco.

Added to portfolio were American Metal-Climax, Interchemical Corp., Mississippi River Fuel, National Steel, Northern Pacific, Sprague Electric and Tennessee Gas Transmission. Eliminated were American Airlines, Ford Motor of Canada, Libbey-Owens-Ford, Pennsalt and Royal Dutch.

* * *

During the month of July, **Income Foundation Fund** made a new investment of 2,000 shares of Westinghouse Electric, purchased 1,700 Standard Oil of New Jersey, 1,300 General Tire & Rubber, 300 Timken Roller Bearing and 1,900 Abbott Laboratories. Completely liquidated during the month were 2,150 Columbia Broadcasting, 100 Marine Midland and 2,000 Maryland Casualty.

At the end of the month, the fund's 10 largest common stock holdings were (in order of size): E. I. duPont, Bristol-Myers, General Tire & Rubber, Abbott Laboratories, National Cash Register, Hercules Powder, Standard Oil of New Jersey, Smith, Kline & French, Coca-Cola and National Lead. These stocks accounted for 24.5% of the fund's total assets of $11,256,267.

* * *

Affiliated Fund reports net assets of $592,402,211, or $7.94 per share, as of July 31, 1959. This compares with assets of $477,785,334, or $6.94 per share, on Oct. 31, 1958. Over the nine months, the fund's shares increased from 68,816,582 to 74,630,820. H. I. Prankard II, President, attributed the gain in assets principally to market appreciation of securities held in portfolio. Percentage of investment in various industries: banking, 9.36%; electric light and power, 9.15%; chemical and drug, 8.12%; oil, 7.06%; stores, 5.34%; container and packaging, 5.33%, and tobacco, 5.13%.

* * *

Wellington Fund, Inc., a balanced fund, is putting most of its new money into bonds. During the seven months ended in July, the fund bought about $87,000,000 in bonds, largely governments, while purchasing just $78,000,000 in common stock. Over the same period, sales of common stock came to $102,000,000. As a result, Wellington Fund now has only about 62% of its assets in common stock, compared to more than 67% at the beginning of 1959.

Form Sandkuhl

NEWARK, N. J.—Sandkuhl & Co., Inc. has been formed with offices in the Commercial Building to act as underwriters of securities. Officers are Henry Sandkuhl, President; Dorothy M. Geiger, Vice-President; Ileen E. Deserio, Secretary-Treasurer; and Edward G. Brown, Assistant Secretary. Mr. Sandkuhl was formerly with Howell Archard & Co. and Amos Treat & Co.

Universal Mutual Funds

WASHINGTON, D. C.—Universal Mutual Funds, Inc. has been formed with offices at 1010 Vermont Avenue, N. W. to engage in a securities business. Officers are Robert R. Rowe, President; Edward A. McDaniel, Vice-President and Secretary; and William J. Horan, Vice-President and Treasurer.

Joins Foster & Marshall

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Arthur B. Clement has joined the staff of Foster & Marshall, Southwest Sixth Avenue at Oak Street.

Niagara Inv. Branch

FRANKLIN SQUARE, N. Y. — Niagara Investor Co., has opened a branch office at 837 Hempstead Turnpike under the direction of Ralph Dolgoff.

Opens New Office

STAMFORD, Conn. — Granbery, Marache & Co., has opened a branch office in the Stamford House Hotel under the management of Daniel F. O'Connell.

Joins Benjamin Lewis

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — George E. Gilliland is now with Benjamin Lewis & Co., 135 South La Salle Street.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

FARMINGTON, Maine — Sidney R. Gordon is now connected with Coburn & Middlebrook, Incorporated.

Public Utility Securities

BY OWEN ELY

Central Telephone Company

Central Telephone Co., with annual system revenues of over $20 million, ranks about fourth or fifth among the telephone holding companies. It is controlled by Central Electric & Gas Co. which owns 54.5% of the common stock. Central Telephone owns and operates telephone properties in Minnesota, Iowa and North Carolina. It also controls two telephone companies operating in Virginia, one in Illinois and one in Wisconsin. The system set-up is indicated as follows:

	Revenues	% of Stock Owned by Central Tel.
Central Telephone Co.	$8,185,000	
Middle States Tel. of Illinois	5,689,000	65%
La Crosse Telephone (Wisconsin)	1,964,000	51
Virginia Tel. & Tel.	4,027,000	80
Lexington Telephone (Va.)	393,000*	92
Total	$20,258,000	

*For nine months since acquisition.

Principal cities served by the system include Asheboro, Leaksville, North Wilkesboro and Mount Airy, North Carolina; Charlottesville, Front Royal and Lexington, Virginia; LaCrosse, Wisconsin; Fort Dodge, Iowa, and Des Plaines, Park Ridge, Pekin, Havana and Savanna, Illinois.

At the end of 1958 the system's stations were over 245,000 compared with 234,000 in the previous year, 136,000 in 1950 and 88,000 in 1945. Thus, with new acquisitions combined with regular growth, the system has almost tripled in size during the postwar period. Recent acquisitions were the Minnesota properties of Southeastern Telephone, serving 11,600 telephones, purchased for $1,900,000 in October 1957; and 75% of the common stock of Lexington Telephone in April 1958, adding 6,536 telephones. About two-thirds of consolidated revenues are from local service and one-third from toll service. Toll service exchange is provided with the Bell System and with other independents.

As of Dec. 31, 1958, over 85% of system phones were dial-automatic compared with 78% in the previous year. This compares favorably with other systems—General Telephone's telephones were 88% dial-operated as of July 1, 1959. Construction expenditures last year, together with property acquisitions, approximated $13 million compared with $16 million in 1957; the 1959 amount is estimated around $10 million.

System capitalization as of Dec. 31, 1958 was as follows:

	Company	Consolidated
Long-Term Debt	43%	51%
Preferred Stocks	9	8
Minority Interest	--	9
Common Stock Equity	48	32
Total	100%	100%

As indicated in the table below, the company was able to build up its rate of return on net property from 4.6% in 1949 to 7.5% in 1956, but earnings then receded to 6.2% in 1958. Rate increases of $335,000 per annum became effective Sept. 1, 1958 in North Carolina and increases are being made effective in the first half of 1959 in Iowa and Minnesota, which will increase revenues $270,000. The former amount was equivalent to about 15c a share after taxes and the latter about 12c. These increases have helped to improve share earnings which for the 12 months ended March 31 increased to $1.88 on the larger number of shares then outstanding compared with $1.80 for calendar 1958.

The present dividend rate is $1, the paying being relatively low compared with consolidated earnings per share; the company's policy is to relate the payments to parent company earnings only, which were $1.37 per share for the 12 months ended March 31, 1959.

The company is continuing to acquire new properties where these are suitably located and can be obtained advantageously, and has also been streamlining its present holdings. In July 1958 it completed the last step in its program of disposing of all of the relatively small telephone holdings in three states by the sale of its West Virginia property for about $1.9 million. The company purchased 75% of the common stock of Lexington (Va.) Telephone Co. and additional amounts were later acquired.

At the recent over-counter price around 25½ the stock yields 3.9% and sells at 13.6 times consolidated earnings. This price-earnings ratio is low as compared with some other ratios of independent telephone companies, as follows:

California Interstate Telephone	15.3
California Water & Telephone	14.5
Commonwealth Telephone	14.1
Florida Telephone	24.8
Intermountain Telephone	17.6
Rochester Telephone	18.2
Southwestern States Telephone	17.6
United Utilities	20.7
West Coast Telephone	16.7

CENTRAL TELEPHONE COMPANY

Year	Rev. (Mill.)	Common Stock Record* Earned	Dividends	Approx. Range	% Earned on Net Property
1958	$20.3	$1.80	$1.00	27-19	6.2%
1957	18.2	1.99	1.00	24-18	6.7
1956	15.8	2.00	.91	22-18	7.5
1955	14.2	1.73	.84	21-14	6.7
1954	12.4	1.49	.82	16-14	5.9
1953	11.2	1.46	.77	14-12	6.2
1952	9.9	1.32	.73	12-10	5.6
1951	8.6	1.11	.73	11- 9	5.1
1950	7.5	1.04	.64	11- 9	4.9
1949	6.2	1.31	.73		4.6
1948	5.3	1.17	.45		5.0

*Adjusted for 10% stock dividend in 1957.

Changes in Key Factors in Foreign Equity Investment

Continued from first page

bonds and of blue chip stocks are watched and studied in an effort to project forecasts of the movements of each. Market letters conflict with one another in their appraisals of what the future holds for investors. What sometimes gives the impression of double talk in such communications may be considered to be a hedge in attempts to appraise effectively an extremely delicate market situation.

Attempts have been made to introduce methodology of projection of earning power and dividends into future operating periods of leading industries and corporations. Analysts have, by means of extrapolation, analysis, correlation, and projection — indeed by use of every available tool at their command—attempted to determine, with some degree of precision, the earning power and total dividend of representative groups of stocks. By determination of the earning power and dividend payments of, say the Dow-Jones average, one, two, or five years hence, and by the application of price-earnings ratio or yield supposition, an average can be projected that makes today's average, by comparison, seem low indeed. If, for instance, a $55 earning power of the 30 stocks in question were subjected to an 18-to-1 ratio of price to earnings, the Dow would climb to a level of 990. Such optimism does exist in many segments of the market. Others look at the present market and consider the highs of the market unjustified by the level of earnings and/or dividends. They view the curve crossover of high grade bond yields and blue chip stock yields and see only a major market "adjustment" in the months ahead.

Secondary and Tertiary Issues

When a market reaches the heights it has witnessed now for some time, it is logical to feel that the market must contain numbers of issues that have not shared, or that have shared only moderately, in the general advance of prices. Issues that are sometimes referred to as secondary or tertiary are sought for gains that primary issues can no longer offer the investor without appreciable increases in earnings, or by. a continuation of market optimism that widens the price-earnings gap. Sometimes that which is sought is a special situation, which offers potentials to the investor that are unassociated with expected general market advances. Again, many investors look to segments of the securities market other than equities. Bargains are sought in the bond market, in industrials, in Governments, in municipals. Funds might even flow in the direction of short-term investments or financial intermediaries. These moves are usually associated with the seeking of protection against a change in the overall trend line in security prices.

A factor that lies behind the seeking of capital appreciation by common stock investment must be recognized as lying in a strong belief that the general price level will continue to advance. In short, the flight to equities in recent years might find its deepest root in the fear of continued inflation. If this is the case, it is highly conceivable that the trend of rising prices in the equity markets and rising yields in the debt securities market will continue. To put it into investor language, it might be concluded that investor sentiment favors minimization of purchasing-power risk over minimization of other risks inherent to security ownership.

The Quest for Profitable Outlets

In a market that is characterized by high security prices and low yields on equities, by the measurement furnished by other time periods, it is rather an expected phenomenon that investors will seek potentially more lucrative outlets for their funds. If current income assumes importance in the aggregate in such a quest, it seeems likely that corrective actions might take the form of falling common stock prices and falling yields in the bond market. Over recent years, Canadian equities have beckoned many American dollars in search of capital appreciation. The romance of low density of population and combined with high per capital natural wealth, and, hence, outstanding opportunity for growth of investment, has attracted the American investor's imagination. Beyond the many individual equities which have attracted American dollars, investment bonds have beckoned millions of American dollars for the purpose of channeling investment into opportunity areas like oils, minerals, metals, lumber, and construction. Recent years have witnessed the organization, development, and expansion of a number of open-end investment trusts, aimed at acquiring equities of Canadian corporations which have reputedly good prospects for appreciation of value in that expanding economy.

Risks Minimized in Canada

It is interesting to note that the usual problems associated with foreign portfolio investment by Americans are minimized in Canadian investment. Americans can put their savings into securities of Canadian corporations with minimum concern if they but exercise the normal precautions associated with investment. Marketability and taxability assume minor proportions in such securities. Convertibility between the American and Canadian dollar is traditionally free and is subject to regular and accurate quotation. Purchasing-power risk does not seriously have to contend with fluctuating values of serious magnitude. Problems of repayment may be considered in light of financial risk alone and need not be complicated by the factor of major currency-value fluctuation. Problems of political instability have been minimized historically. Even financial risk need be little greater than the similar risk associated with American companies if reasonable care is taken to explore the facts of disclosure that are available. While it is true that one can uncover high speculations in Canadians. it is also true that there are numerous American counterparts to such questionable ventures for capital.

It is reasonable to question at this phase of the American market activity whether foreign portfolio investment opportunities exist for American capital. Canada, in this regard, must be excluded from the usual disadvantages, real or prejudicial, that accompany foreign portfolio securities in this discussion. The more than one billion dollars' worth of Canadian bonds currently outstanding, together with the heavy investments made by Americans in Canadian equities, attest the fact that Americans do not consider Canadian securities as "foreign" in the usual sense. Neither can direct investment abroad be considered when foreign investment opportunities for individuals are discussed. Direct investment by American corporations does constitute a large source of funds for use in foreign economies. But the American investor cannot isolate the outside-United States investment by private American corporations from that portion of capital that is employed at home. The investor can, of course, direct funds to or refrain from the purchase of securities of companies that have overseas branches, subsidiaries, or other forms of investment. Neither does he have the problem of foreign exchange or any of the other problems inherent to the ownership of portfolio securities issued by corporations chartered outside the United States. The question is whether there are opportunities for American investors in the securities of non-American and non-Canadian issuers.

The Basic Requisites

Obviously, there are two basic requisites for private foreign portfolio investment by Americans. First, there must be profit potential which carries an opportunity commensurate with the added risks associated with putting one's money to work away from home. Second, investors must be aware of the opportunities that exist for such profitable employment of capital abroad.

On both of the above counts, American experience in the past should be briefly referenced. This is important because it must be recognized that there is an abiding fear of foreign securities that has provide a basic prejudice in the marketplace. In the decade of the 1920's, foreign nations and corporations floated billions of dollars of their securities in the American market. The decade was not unlike the present one in that great optimism existed that led to a degree of confidence that the prosperity of the 1920's would continue unabated into the future. From the beginning of the decade of the twenties to the end, Americans had almost tripled their investment in foreign securities. Whereas corporations held a large amount of the approximate $7 billion worth (at par) of foreign securities by 1930, the Treasury Department Census (1943) estimated that a majority of non-Canadian securities were held by individuals. And while most of the foreign securities held in the United States were debt obligations, the dismal record of the 1930's left American investors with a legacy of lost confidence in foreign securities other than those of Canada.

The Loss of Confidence

No assessment of the reasons for widespread loss of confidence will be attempted. It might be worthy of mention, however, that America had only recently become a major creditor nation at the time. American investment bankers probably should be held responsible for some of the shortcomings of the dastardly experience. A 1934 report of the Committee of Banking and Currency on Stock Exchange Practices stated:

"The record of the activities of investment bankers in the flotation of foreign securities is one of the most scandalous chapters in the history of investment banking . . . The sale of these foreign issues was characterized by practices and abuses which were violative of the most elementary principles of business ethics.

"Far from exercising discrimination in relations to these issues, the bankers failed to check adequately the information furnished by foreign officials; ignored bad debt records and bad moral risks; disregarded political disturbances and upheavals; failed to examine . . . economic conditions; failed to determine whether the proposed uses of the . . . loan issues were applied toward the purposes specified in the loan contracts; . . . generally indulged in practices of doubtful propriety in the promotion of foreign loans and in the sale of foreign securities to the American public."

It would be unfair to assign total blame for foreign-issue fail-

ures to investment bankers and a gullible public. Certainly the widespread economic crisis of the 1930's played a major role in security defaults. Rigidity of both interest and sinking fund payments, in the presence of a decline in dollar earnings in world trade, combined to accelerate defaults. The United States Commerce Department indicated that many foreign nations had adjusted to the foreign income and spending habit and the international debt structure of the $7.3 billion supply of income area. There was a precipitious decline of dollar supply to foreign nations of some $5 billion (or 68%) over a three-year period beginning in 1929. This situation has been referred to as the "dollar shortage" which was to continue to many years. During the decade of the 1920's the total dollar volume of foreign securities purchased by Americans is not precisely known, although estimates vary between $10 and $15 billion. The portfolio investment by Americans had stood at around $7.2 billion in 1930 and diminished to about $3.8 billion at the end of the decade of the 1930's and to less than $2.5 billion by 1953.

Costly Experience

Attempts to show specific dollar losses to American investors will not be necessary. It is fair to conclude that the experience at portfolio investment in foreign securities (heavily bonds) by Americans was a rather costly one. Such experience stands clearly in the path of a revival, on a large scale, to foreign investment by individuals.

Brief mention should be made of the abnormalities of trade and payments in the depression years and the war and postwar years, from about 1930 through the present. A rather complete disruption of trade in the depression years has previously been mentioned. American imports dropped sharply after 1929 and selling abroad became progressively more difficult. Tariff barriers mounted; exchange controls grew; various barriers to trade became common; defaults on international obligations were commonplace; confidence deteriorated. In recognition of the great imbalances in trade and payment internationally, the community of nations formed the International Monetary Fund and the International Bank for Reconstruction and Development as a result of the Bretton Woods Conference in 1944. The Fund aimed at providing a means through which imbalances in a nation's trading account might be met without interference with that nation's level of imports or its home monetary policy. The Bank was organized to finance reconstruction of war-destroyed productive facilities and to increase productivity in underdeveloped areas of the world. As a supplier of capital, the Bank is limited to loans which are guaranteed by the government of the borrower. In 1956, the Bank organized a corporate affiliate, the International Finance Corporation, for the purpose of extending credit directly to private enterprise. These organizations can be expected to grow in importance as international economic affairs become more and more subject to lesser imbalance in the years ahead. They are not intended—or will they probably ever be—to be substitutions for private capital flow among nations, based upon the international balances of payment. They are, rather, complementary agencies to bring about fulfillment of the optimum utilization of funds in international commerce and investment.

The economic justification behind private capital flow rests upon the need of the investing nation to put to profitable employment the excess funds earned in international trade and the need for the underdeveloped areas of the world to import capital for the purpose of diverting a greater part of their productivity to capital formation. The complementary objectives provide the basis for international investment. From viewing the American balance of international payments account it is quite obvious that the limitation to the flow of investment abroad does not lie in inability from lack of funds. It is obvious, too, that the opportunity factor is not a deterrent to such flow. The answer to the dilemma lies in the improvement of investment climate abroad and in the attitude of American private investors toward availing themselves of portfolio opportunities in the private sector in foreign securities. Although it is highly probable that direct investment will comprise an ever-increasing portion of the flow of total investment, as governmental transfers of both military and economic variety will probably tend to decrease in the years ahead, there is still a large potential for increase in portfolio investment. The improvement of investment climate must represent a totality of change in order to inspire greatly the resumption of this flow to sizable proportions. The attitude of American private investors will probably be a factor of the improved conditions rather than a causal factor in its own right. It is a truism that at the present time the potential volume of private investor flow is great. But it follows that demand for foreign corporate securities by private American investors must be accompanied by a totality of climate that is conducive to an increase in such investment.

Opportunities in Western Europe and Britain

As was brought out early in this discussion, investment prospects must be such as to offer gains potential in income and capital appreciation, both of which are compatible with the risk involved in foreign investment. There is apparently a growing belief among investors that Western Europe and Great Britain are in early stages of a great economic resurgence. Leading companies in these areas should profit greatly from such an economic expansion in the years ahead. American capital can assist in that expansion; it can share in the profits potential the surge of productivity can bring. This is a case where recent improvement in climate is of great importance to the American investor.

Last year the European Common Market brought together the peoples of six nations, the combined population of which is similar to that of the United States. These nations—Netherlands, Belgium, Luxembourg, West Germany, France, and Italy—aim to remove gradually, within approximately 15 years, barriers to the free movements of goods, capital, and people. This may be viewed as a major step toward economic unity in Western Europe. Such economic unity must, of necessity, precede political unity, which, due to national rivalries of centuries, will be very slow in evolving. The economic unity is highly significant, however; the area is responsible for a sizably larger share of world trade than the United States. A huge expansion in markets in the Continent can reasonably be expected from the ECM. As well, inter-country markets for and by ECM countries will be greatly expanded. It is highly likely that, with the reduction of tariffs and other trade barriers, the factor of competition will be subjected to intensity. As has been true in America, such competition should result in a healthier mass market than has ever been enjoyed on the Continent.

America's economic greatness has often been attributed to the combination of mass potential market and to the productive might that the existence of such a market permits. The gross product of this nation has allowed for a good share of income to be allocated to capital formation, even in the presence of a consumption rate that has led this nation to the highest standard of living the world has ever known. The formation of the ECM should form the economic base for a marketing and productive expansion that could lead the nations that make up the common market to new heights in economic output and standard of living. The economic success that such a market can bring this wealthy area of Europe might be the basis for other common markets elsewhere in the world, and, ultimately, to a world free from burdensome barriers to the flow of goods and capital.

The economically underdeveloped areas of the world offer great demands for the capital of nations which find that their economies permit an outward flow.

Now where is America's opportunity in the modern world economy? Opportunities for capital investment abroad abound. As has been true since World War II, the increases in American investment abroad has been heavily of the direct type. This kind of investment is not new to this country. The trend can be traced to about the turn of the present century. In 1897, the total dollar direct investment by this country was less than $1 billion; by 1929, it was over $7½ billion; in 1950, it was nearly $12 billion. In 1959, it is near the $37 billion mark.

Interest here is focused on the non-direct, or portfolio, investment opportunities abroad. Attention to opportunities there is neither new nor currently nonexistent. There have been good opportunities in recent years. Many investors have seized them. Attention here is called to these opportunities that have grown as a result of changing economic factors in recent times.

Conditions Ripe for Action

In summary, it is believed that the conditions are ripe for taking advantage of investment opportunities abroad. From an internal viewpoint stock prices and yields at home make opportunities abroad sought after by discerning investors. From an external viewpoint several factor changes have recently presented themselves. The European Common Market has been referred to. The American attitude toward unilateral transfers remains a question mark in the future. The development of underdeveloped areas of the world is a factor of opportunity for foreign investment funds. The growth of direct investment carries with it opportunities in the portfolio division of investment for American capital.

Do any factors of the present situation stand in the way of the expansion of portfolio investment in the years ahead? Beyond the factors that have traditionally constituted deterrents, knowledge of opportunities appears to be the principal problem at the present. Of the usual deterrents several might be listed: lack of recognition of property rights of foreigners; political instability, unfair treatment of foreign capital, lack of exchange freedom; lack of relative trade freedom. The problem of knowledge remains one of great note for portfolio investment. Investment bankers inherit a great responsibility in examining carefully all situations that present opportunities for American capital. Channeling of American funds to diversified equity opportunities abroad might grow through the employment of the investment trust method. An example of this has recently presented itself in the offering of $25 million worth of equity shares to the American investing public by Eurofund, a European Common Market fund promoted by three large American investment bankers headed by Glore, Forgan & Co., of New York. The portfolio holdings of this organization and the results of its operations will be closely watched by American investors. One might reasonably expect other investment trusts to be formed to direct American capital to opportunities in various areas of the world, both functional and geographic. It is likely that the future will see an increase in this method of investment to attract the small as well as the large funds of both individuals and institutions. Beyond this, investment bankers have a fine opportunity to underwrite issues uncovered by their research in foreign securities, especially equities. This can take the form of offering such securities in the American markets or calling attention to, and acting as agent for, direct purchases of foreign securities. By either method, the responsibility to provide knowledge and to promote disclosure rests with American financial operatives. It is the contention here that lack of knowledge is today's major barrier to the increase in flow of private American capital to portfolio acquisition abroad.

Transfer Agents to Hold Golf Tourney

The 13th Annual Golf Tournament and Outing of the Corporate Transfer Agents Association, represented by many or the large industrial and railroad companies of the country, will be held on Sept. 24, 1959 at the Colonia Country Club, Colonia, New Jersey.

It is expected that approximately 50 members and an additional 50 guests will attend the affair.

Members of the Entertainment Committee are: L. T. Hindenlang, Secretary, American Bank Note Co.; W. J. McDermott, United States Steel Corporation; R. L. Mulkeen, Transfer Agent, Wabash Railroad Company; J. E. Murray, Transfer Agent, The New Jersey Zinc Company; L. E. Steiner, Assistant Secretary, Radio Corporation of America; A. Smith, Texaco Inc., and M. F. Kane, Standard Oil Company (N. J.).

Now Charles Eldredge Co.

CHICAGO, Ill.—The firm name of Eldredge, Tallman & Co., 231 South La Salle Street, has been changed to Charles H. Eldredge & Co.

Goffe Carkener Office

BELLEVILLE, Kans. — Goffe & Carkener, Inc., have opened a branch office at 1317 Eighteenth Street under the direction of James W. Lawrence.

Form Associated Secs.

Associated Securities has been formed with offices at 545 Fifth Avenue, New York City, to engage in a securities business. Partners are Sybil Olman and Chauncey S. Olman. Both are officers of Fifth Securities, Inc.

William Kennedy

William Walker Kennedy, partner in W. E. Burnet & Co., New York City, passed away Aug. 17 at the age of 57.

George J. McLiney

George J. McLiney passed away Aug. 18 at the age of 54. Mr. McLiney was Vice-President and manager of the municipal department for George K. Baum Company of Kansas City.

Dewey, Johnson Branches

MIAMI, Fla. — Dewey, Johnson & Co., has opened a branch office in the Ainsley Building under the direction of Josef Morson.

Chicago Municipal Bond Club Field Day

CHICAGO, Ill.—The Municipal Bond Club of Chicago will hold its 23rd annual field day Sept. 10 and 11.

On Sept. 10 there will be a luncheon at noon at the Chicago Yacht Club. Thursday evening cocktails and dinner will be held at the University Club. On Sept. 11, a full day is scheduled at the Elmhurst Country Club featuring golf, tennis, baseball and horseshoes, as well as bridge and other events.

In conjunction with the Bond Club Field Day, Kenneth Eaton, A. C. Allyn and Co., Inc., and Joseph Condon of McDougal & Condon, Inc., will again be hosts at an informal breakfast-brunch at Welty's Restaurant Sept. 10 from 8 to 10:30 a.m. This is the 10th consecutive year they have done so.

Member fee is ten dollars; non-resident member fee, twenty dollars; guest fee, forty dollars.

W. N. Murray, Jr., The Illinois Co., is general Chairman of the Field Day Committee, assisted by Carl H. Ollman, Dean Witter & Co., Vice-Chairman.

Other committee members are:

Reception Committee: Elmore Song, Goldman Sachs & Co., Chairman; William J. Corbett, Jr., Burns, Corbett & Pickard; Hardin H. Hawes, Harris Trust & Savings Bank.

Arrangements Committee: Gene A. Frantz, Frantz Hutchinson & Co., Chairman; P. Alden Bergquist, First National Bank of Chicago; Frank B. Hutchinson, Frantz Hutchinson & Co.; John X. Kennedy, White, Weld & Co.; John H. Kramer, Harriman Ripley & Co., Inc.; Vincent Newman, Allan Blair & Co.

Golf Committee: Robert L. Nelson, Weeden & Co., Chairman; William H. Hammond, Braun, Bosworth & Co., Inc.; Thomas E. Leafstrand, Blyth & Co., Inc.

Entertainment Committee: John N. Faust, Kidder, Peabody & Co., Chairman; Kenneth L. Eaton, A. C. Allyn and Co., Inc.

Special event: Blair A. Phillips, Shearson, Hammill & Co., Chairman; Harold W. Abele, L. F. Rothschild & Co.; J. Kenneth Clauson, Goldman, Sachs & Co.; Robert C. Hawley, Harris Trust & Savings Bank; Clarke J. Robertson, Farwell, Chapman & Co.; Robert E. Simond, Jr., Halsey, Stuart & Co., Inc.

Prize Committee: Charles A. Schoeneberger, National Boulevard Bank, Chairman; Charles O. Main, Ballman & Main; Roland C. White, Harris Trust & Savings Bank.

Transportation Committee; Charles Lundfelt, McCormick & Co., Chairman; Arthur G. Field, Lee Higginson Corp.

Baseball Committee: James G. Brophy, Blyth & Co., Inc., Chairman; Andrew D. Buchan, Bacon, Whipple & Co.; Robert L. Meyers, Stone & Webster Securities Corp.; William A. Noonan, Jr., Illinois National Bank & Trust Co.

Tennis Committee: James A. Hurley, First National Bank, Chairman; George D. Smith II, Harris Trust & Savings Bank.

Horseshoes Committee: Hugh W. Blair, Halsey, Stuart & Co., Inc., Chairman; Frank E. Hansen, Halsey, Stuart & Co., Inc.

With Lon L. Grier

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Alice G. Barton has become associated with Lon L. Grier & Co., 735 North Water Street.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Arthur R. Whitfield is now with Walston & Co., Inc., 210 East Wisconsin Avenue.

Dispelling Some Popular Illusions About Inflation

Continued from first page

with erosion of savings and distortions of the investment process, and, finally, with adverse balances in their international accounts. All three have now cured their problems, and in effectuating that cure each in turn took, among other measures, decisive actions to rectify its fiscal and monetary position.

It is worthwhile to examine these four aspects of inflation in sequence and to trace in greater detail how they menace growth.

Economic Instability — Accented By Inflation

With regard to the phenomenon of inflation-accented instability, there is only one respect, I think, in which the regular recurrence of boom and slump can be alleged to contribute to growth. In the Toynbee language of Challenge and Response, it might be argued that inefficient management and weak leadership are screened out during slumps, which thus act as a catalyst that clears the way for enterprise and growth. On all other grounds, the recurrent sequence of boom and slump is adverse to growth. First, because it diminishes the average economic product of society, and, second, because it increases the risk of enterprise.

Now, I do not want to be misunderstood. I am not saying that all business instability is caused by inflation. The business cycle is more pervasive than that. What I am saying is that the instability of business is increased, not decreased, by inflation and by the anticipation of inflation.

Inflation or fear of inflation undermines sustainability and quickens the tempo of instability primarily because it promotes overspeculation in inventories. In addition, however, it provides incentives for premature additions to plant capacity. Businessmen, expecting costs and prices to rise, are almost forced in self-protection to lay up inventories in advance. If anyone questions this, let him merely check the pronouncements of the Association of Purchasing Agents who regularly advise an acceleration of advance covering inventory need when prices are expected to increase. The same type of incentive encourages premature additions to industrial capacity. Under conditions of expected inflation, it appears profitable to continue in this process up to the point where the current volume of inventories in hand and on order, plus the increased capacity to produce even more inventories, threaten to saturate the market. Then capital expansion slackens and inventory accumulation is succeeded by decumulation, and we have the phenomena of idle plant and idle manpower.

This recurrent process obviously impairs growth, first, because it leads to recurrent unemployment of resources, and, second, because the unemployment thus created exerts secondary repercussions on total output. G. N. P. figures show clearly that inventory recumulation was the major factor in each of the three slumps we have experienced since the war—in 1948-49, 1953-54, and in 1957-58. In each, a prior overaccumulation of inventories had taken place in an atmosphere of inflation. During each recession, the inventory decumulation was touched off primarily by a temporary surfeit of markets rather than by a fall-off of final demand. Due partly to our built-in stabilizers, as well as flexible monetary and fiscal policies, final consumer takings were well-maintained.

Misallocation of Capital

Both inflation and the expectation of inflation retard growth because they impair the quality of management investment decisions and thus promote the misallocation of capital. It is a requirement of growth that investment decisions be such as to economize on the use of resources and have the effect of improving the technical efficiency of production. Any development, consequently, that leads to miscalculation and impedes the technical effectiveness of these decisions impairs growth. It implies less growth per dollar of investment.

Inflation is such a development. To be specific, individual costs and prices do not move at the same relative rates during a period of inflation but exhibit a varying behavior. Some spurt while others lag. In such a period, therefore, it is much more difficult for management to judge accurately as between the future efficiencies of differing productive techniques than it is in a period of more stable cost relationships. A comparison of the relative in-put costs in current dollars of two different techniques will not necessarily provide an accurate clue to the relative costs that will prevail in the future when the technical process actually chosen is in place.

Any investment decision, for example, involving a choice between alternate materials that are substitutable for the desired use will be heavily weighted by estimates of relative future costs. Should engineers design to use pre-stressed concrete or steel for a projected bridge? In the case of certain electrical products, should they design for aluminum or copper? The answer will depend on estimates of the future costs of each of these pairs of materials, which in the past have responded with markedly different lags to inflationary pressures. A similar hazard arises in all cases where techniques are subject to very rapid improvement. In these cases, when a margin of excess capacity is maintained to safeguard against rising capital costs, the industries concerned may find themselves in no position to take advantage of more advanced productive techniques that become available because of technical breakthroughs. These are only examples of misallocations of capital that are induced by inflation. They are in addition to excessive inventories and excess plant capacity discussed above.

It is difficult to appraise statistically the amount of misallocation that may take place in any given period of inflation, but there is no question that it is a hazard which tends to diminish the potential productivity of new investment. One indication is a slowing down in rates of growth in a period when new investment is active. For example, misallocation of capital was certainly present in this country in 1956 and 1957 and helped to set the stage for the recession of last year. By the late spring of 1957, the existence of unused capacity was evident even though more was being built. The large build-up of capacity of the automobile industry after 1955 illustrates how miscalculation of demand in a period of rising prices can result in misallocation of capital.

In countries where inflation is endemic, such as some countries in Latin America, it is not difficult to observe the extreme and obvious forms such misallocations can take or to fail to see how they operate to retard growth. For example, one will find very frequently serious overinvestment in real estate. New construction of apartments and office buildings will be active despite heavy vacancies in existing structures. Meanwhile, capital is lacking for a wide range of projects that would contribute to growth. Also, it is common in such countries for a significant fraction of local savings to be sent abroad to be invested in more stable currencies. Thus, on both counts, the country where they were earned is deprived of the stimulus to growth that would have resulted from a more effective allocation of new investment.

Dissipation of Savings and Distortion of the Saving-Investment Process

Both inflation and the expectation of inflation impair growth because they tend to divert the investment of savings away from productive investment and into hedges against inflation. Thus, they distort the basic processes of saving and investment. Involved in these responses are further examples of misallocations of capital, but the focus of the discussion here is directed to various financial forms that saving and investment take. We will deal with savings reactions first.

The process of growth requires saving in volume adequate to finance (1) the introduction of technical improvements in the process of production, and (2) the necessary expansion of productive capacity required to keep up with population growth. Recently about three-fifths of our savings have been supplied by consumers and the rest largely by industry and commerce. Government lately has been a net borrower. Predominantly these consumer savings have taken the form of purchases of fixed financial claims, i.e., such financial assets as life insurance policies, savings deposits, shares in savings and loan associations, pension policies, both public and private, and U. S. Savings Bonds.

When savings are invested in assets such as these, they are directly affected by an erosion in the purchasing power of the dollar. There is abundant evidence that savers have now begun to be alert in this fact. Consumer savings in money form are still very large, but there are portents to indicate that consumers are beginning to take account of the potential effects of inflation in their savings and investment decisions. The proportion of income saved, for example, has been lower in the period since 1951 than in the 1920s. Concurrently, the willingness of consumers to incur debt has apparently increased. Savings that are made are being invested increasingly in the so-called hedges against inflation, such as common stocks and real estate, urban and rural. Despite the difficulties of agriculture, prices of farm land continue to rise very rapidly — by 8% last year. There are many other factors besides inflation that have influenced these developments, but it is clear from the way consumers act that they have become increasingly aware that they consider investment in these types of assets as hedges against inflation.

One effect of these diversions of savings is to increase the chance that they will be dissipated in consumption rather than invested in such a way as to promote growth. These chances appear to be much greater, for example, than they would be if the same investor had placed his savings in financial assets with fixed rates of return. One cannot be certain just how great this dissipation is, but it is evidently large. It can only be estimated indirectly.

It is very difficult, for example, to discover that a corresponding amount of growth has been financed by the huge amounts of funds known to have been invested in corporate common stocks in recent years. In our statistics of corporate finance, we have good figures on new issues of common stocks, so that we know something of the amount of funds that the issue of new common stocks has made available to corporations to finance purchases of plant and equipment. These amounts, however, are very much smaller than the total funds consumers have devoted to the purchase of common stocks. They do not greatly differ from the known increases in the equity portfolios of institutional investors. The problem is to estimate what happened to the additional large volume of funds diverted to the purchase of common stocks by individual investors in recent years.

In major part, it is clear that these acts of commitment did not result in increased investment in plant and equipment, i.e., they did not finance additions to growth. The funds received by sellers of the same securities were apparently absorbed in a variety of ways. Important, probably, was an increase in consumption financed by capital gains. This same type of dissipation of savings can and does take place, of course, whenever capital assets are traded. There is no necessary reason why it should be confined to common stocks. It may well have been just as pronounced in the market for real estate. It does appear, however, that such dissipation tends to bulk large when equities either in stocks or real estate change hands and large capital gains are generated in rising inflation-stimulated markets.

A direct consequence of the popularity of equities and other hedges against inflation then is not only a reduction in the supply of savings available for lending in money form but also a dissipation of part of the savings so diverted. This reduction will affect any type of investment that relies on the availability of borrowed funds, including investment in industries of very rapid growth whose aggregate claim on borrowed funds is large. Concurrently, the expectation of inflation has the effect of increasing the aggregate demand for loanable funds. Customarily, additional funds are borrowed to acquire increased inventories or to anticipate plant construction. It appears profitable in a period of expected inflation to operate on very thin margins and to borrow heavily to finance the acquisition of equities that may be expected to rise in price.

In short, inflation and the expectation of inflation generate a process in which the demand for loanable funds runs continuously in excess of the supply. There is an incentive working toward continuous acceleration of demand and at the same time toward a dissipation and diversion of supply. Thus, conditions inevitably leading to higher interest rates are established. This situation tends to persist. It will not move toward equilibrium so long as the expectation of inflation lasts. Inflation, once it has been experienced and is expected to continue, is inseparably linked to high interest rates. Let me give you some indication of just how powerful an incentive that link may be.

You have heard the phrase "after-tax yield." It is used by investors to compare the returns that will remain on alternative investments after they have paid such income and capital gains taxes as are due. They permit an investor to compare the relative merits, for example, of alternate investments in fully taxable Treasury or corporate bonds with investment in tax-exempt municipals.

This same type of analysis can be applied to indicate how powerfully an expectation of inflation during the life of a loan will affect interest rates. As a specific example, take a corporation which, in a period of stability, would be content with an investment return of 2% on its liquid assets. This would imply an after-tax investment return of just under 1%. During a period of creeping inflation, at a rate of 3% per annum, it would take 8% to provide an equivalent after-tax investment return in constant dollars.

The relevant calculation is simple. In a period of price stability, an investment return of 2% on a corporation's liquid assets would yield an after-tax net of just under 1%. It would not, in this case, be necessary to set anything aside to compensate for erosion in the purchasing power of the dollars invested in liquid assets. In a period of creeping inflation—at, say a 3% annual rate—on the other hand, the interest rate would have to be 8% since that rate would be necessary to provide an after-tax yield to the corporation of 4%, of which three-quarters, or 3%, would be needed to maintain the real purchasing power of the investment and one-fourth, or about 1%, would be left to represent the net after-tax investment return.

To give another example, if creeping inflation is expected to go on at a 3% annual rate, a corporate borrower can afford, theoretically, to pay 6% for loans to acquire inflation-resistant real assets before incurring any net cost whatever. The reason is that the 6% can be charged to business expense and deducted from gross income in figuring net income subject to corporate income tax, leaving a net cost of slightly less than 3% with which to purchase assets that are expected to appreciate by that amount per annum.

Actually in practice, the rate at which borrowing to acquire inflation-resistant real assets has been profitable has proved all too frequently to be much higher than 6%. Construction costs and costs of capital equipment have risen much more rapidly than the average level of prices as a whole. As a result, a great many taxpaying borrowers who are in a position to take interest costs as a tax deduction have actually benefited from what is known as negative interest, i. e., if one compares their payments for interest with the economies that accrued from using borrowed money to purchase such plant and equipment in advance of need, it will be found that the interest cost of the borrowing was less than zero in real terms.

Under demand conditions such as these, it is difficult for increments of increase in the supply of funds to have the effect of easing pressures emanating from demand. They may rather, by financing more speculation in equities, increase the apparent profitability of such speculation, and, when they do so, generate fresh demands for loanable funds. This result is almost inevitable if these increments to the supply of funds represent credit creation rather than savings.

It is this process that our monetary authorities have in mind when they take the position that the current higher levels of interest rates now prevailing are basically the result of a widespread experience with and expectation of inflation rather than the product of restrictive monetary policies. That is why they state that under today's conditions an easing of credit restraint would soon result in higher prices rather than lower interest rates.

Once inflation or its expectation becomes prevalent, and the public has had time and experience to become familiar with the many protective expedients available, a running disequilibrium is created. On the one hand, an increased demand for loanable funds generates rising prices which in turn generate fresh de-

mands for loanable funds. Rising interest rates in such a period reflect these demand pressures. To the extent that they stimulate increased saving, they help to restore the situation into balance. To the extent that they stimulate greater economy in the holding of cash balances, on the other hand, the velocity of turnover is increased and tension and inflationary pressures either continue or increase. These pressures will also increase if the monetary authorities permit such demand to be supplied by credit-created money. The efforts of the monetary authorities under conditions of inflation must be directed to contain the pressure for expansion in credit-created means of payment. They have no option since such expansion feeds the maladjustment and increases tension.

Deficit in the International Balance of Payments

The effect of inflation in halting growth is most dramatically exhibited when it leads to a crisis in the international balance of payments. If a country permits its price levels to continue to rise faster than those of its international competitors, a point will be reached where it will lose reserves because of decreasing exports or increasing imports, or both. It is then said to have priced itself out of world markets. It can no longer participate so actively in international specialization of production. This is a fundamental impairment of the very basis for growth.

Such a situation can persist only until reserves are exhausted. Then a drastic decision will be called for, either one that ends the inflation by adoption of appropriate monetary, fiscal and other policies, or one that temporizes with the situation by adoption of expedients such as protectionism, import control, or devaluation. In the case of all three of these expedients, instability will tend to be prolonged, capital will tend to be misallocated, and the saving-investment process will tend to be distorted unless proper fiscal and monetary policies are adopted. Shelter will be afforded to inefficient production, and growth will inevitably be inhibited and may, in fact, be brought to a standstill.

Expectations of Inflation—A New Phenomenon

As this analysis indicates, inflation and growth are mutually incompatible. Basically they are antagonistic rather than reinforcing. Since this finding runs directly counter to the facts of recent experience, one is forced to ask what is missing from the analysis. This country has grown rapidly postwar, and prices have been rising intermittently since 1933. It is true that these increases, prior to 1939, were hailed as evidence of reflation rather than inflation, but in the postwar period the country has certainly been aware that it was experiencing inflation. The question then is how to account for our rapid rate of postwar growth in view of the fact that inflation tends to retard growth.

The answer lies, I believe, in the realm of expectations. Although we have been experiencing rising prices since 1933, we have not, through most of this period, had a sense that continuing inflation was inevitable. It was not until recently, until after 1954, that this apprehension took hold. Before that time we thought of the inflation as essentially temporary, and we did not expect it to continue. Thus, our savings decisions and our investment decisions were not dominated during most of this period by expectations of rising future costs and prices. In fact, the emergence of a pervasive expectation of continuing inflation as a dominant motivating force in investment decision is relatively new in the experience of this country, even when that experience is carried back through the last century and a quarter to cover the whole period since the opening phases of the Industrial Revolution. That is the reason perhaps that we have recently been so slow in recognizing its implications.

In the century before 1930 generally, it was believed that persistent inflation was impossible in countries that adhered to the gold standard. Some economists, it is true, observing the persistent worldwide rise of prices that began around the turn of the century following increased mining of gold in South Africa, speculated about the possibility of a gold inflation. These discussions, however, never penetrated deeply into the market place. People did not to any extent base business decisions on an expectation that the larger annual increments to the world's stock of gold were creating a situation in which world prices would continue inevitably to rise.

Following the collapse of the gold standard in the 1930s, and subsequently during World War II, there were certainly prophets of inflation in this country — highly vocal ones. However, the dominant mood of both business and consumers, shell-shocked still by the events of the Great Depression, remained cautious. At the end of World War II, in fact, the overriding foreboding was one of impending collapse even though actual inflation was then under way and becoming rampant. We can all remember the predictions of heavy and persistent postwar unemployment that dominated man's outlook at that time and the pervasive fear of an impending inevitable Postwar Depression.

It is remarkable, looking back from our present point in history, that the bulk of the inflation starting in 1939, and extending through the Korean episode of 1950, failed to give rise to more active apprehensions that it would continue. It was left to the much milder rise of prices which started in mid-1955, following four years of stability, to establish today's widely prevalent view that inflation, or at least creeping inflation, is probable. The year 1954 witnessed a basic shift in business expectations.

By that year most of the effects of the industrial dislocations of World War II and of the ensuing postwar replacement and reconstruction boom had passed into history. So also to a considerable degree had the effects of the expansion engendered by the Korean War. It was in this setting that we scanned the emerging downturn of the economy in 1953 and asked ourselves whether this time it might really foreshadow the onset of that Great Postwar Depression that had so long and so widely been heralded. We were strengthened in this feeling by uncertainty over Europe. Although European economic reconstruction, stimulated by the Marshall Plan, was a recognized success, most of us continued to believe that the Western European economy was still fragile and that an economic setback here, however mild initially, might well snowball because of an induced and magnified response from abroad.

During the year 1954, this basic pessimism that had dominated business decisions for a full quarter century almost completely disappeared. As the year went on, it became widely evident, first, that Western Europe, far from experiencing a setback, seemed actually to be moving forward into a boom, and, second, that final demand in this country was proving itself remarkably resilient, particularly for housing and automobiles.

Our whole experience, consequently, with the reactions to be expected when businessmen anticipate inflation, is very recent. It was not until 1956, in fact, that the rise in prices that started in 1955 gave rise to widespread acceptance of the theory that this country would inevitably experience a persistent creeping inflation.

There are less highly developed countries, however, particularly in Latin America, where there has been an abundance of experience with inflation and an abundance of data to permit observation and evaluation of how society reacts once it is generally anticipated that inflation will continue to prevail. In parts of Latin America, plagued by lax traditions with respect to basic monetary and fiscal policies, inflation is endemic and expections of further inflation are deepseated and universal. In those countries, one can find in abundance evidence of how inflation, actual or prospective, places impediments in the way of sustained business activity, promotes the misallocation of capital, diverts the investment of savings into hedges against inflation, and jeopardizes the national balance of payments. That experience strongly corroborates the proposition stated above that inflation is the enemy of growth. Had this country been dominated for very long by its present expectations of long-run creeping inflation, it would almost certainly have experienced a slower overall rate of growth.

The Record of History

It is significant in this connection that historically, according to Goldsmith, this country enjoyed a very high average sustained rate of growth in the 30-year period 1869-1899, which witnessed a persistent fall, not rise, in price levels. The average rate of fall in prices, in fact, was the greatest in our history for such a prolonged period. The rate of growth per capita during this thirty years averaged a full one-fourth higher than our overall rate of growth of about 1¾% per annum for the last 130 years. That is the factual record. It certainly lends no credence to the assertion that inflation is an aid to growth.

Inflation Is An Evil

Considered solely from the point of view of the public welfare, or of social justice, the effect of inflation in diluting the purchasing power of accumulated money savings is evil. It represents to an important degree a transfer of wealth from less fortunately situated individuals and families to equity holders of higher income status.

There was a period when some observers thought otherwise. They regarded the forced transfer of wealth that results from inflation as one that favored enterprise at the expense of a coupon-clipping creditor class dominated by the so-called idle rich. Consequently, this transfer, it was alleged, had the effect of fostering innovation, enterprise and growth.

That rationalization is implausible today because of certain obvious facts. First, except for holders of tax-exempt securities, the so-called idle rich are more than likely to derive their income from ownership of equities rather than of bonds. In contrast, the great creditor classes today are heavily weighted by those who own U. S. Savings Bonds and time or savings deposits in commercial and savings banks, by the type of families who are shareholders in savings and loan associations, or holders of insurance policies and pension rights. In the period 1951-58, the net acquisition of these types of fixed claims on the part of all consumers in the country, without including payments to acquire Federal retirement annuities, equalled two-thirds of total net consumer saving and three-fourths of total consumer savings in financial form.

Predominantly, the creditor claims acquired through these purchases represent savings out of income put aside by people of moderate means to help meet the hazards of life—misfortune, ill health, and old age. Far from being unavaliable for the financing of growth, these are the savings that have financed, in very important degree, our industrial development since 1950, including practically all of our huge housing growth.

I don't want to labor this point, but it needs saying. Sometimes, in the heat of argument, proponents of inflation, particularly of the so-called creeping variety, get sarcastic about the ravages of inflation. When one surveys the relevant literature as a whole, however, it becomes quite clear that no important group today defends inflation from the point of view of social justice. Practically no one disputes that, taken by itself, inflation is evil.

Demand-Pull or Cost-Push Inflation

During the great debate on inflation in recent years, a distinction has repeatedly been drawn between, on the one hand, the so-called demand-pull type of inflation, i. e., an inflation initiated by excess demand generated through lax fiscal and monetary policies, and, on the other hand, the cost-push type of inflation in which the initiating impulse is said to be a forced rise of administered wages and/or prices that then spread through the whole economy partly by escalation. It is claimed that restrictive monetary and fiscal policies are appropriate to cure a demand-pull type of inflation but inappropriate when the inflation is of the cost-push type. In the latter case, restrictive monetary and credit policies are said to have the effect of restricting output and thus making the inflation worse because there will be fewer goods available to assuage inflated final demand.

This is a most superficial conclusion. It simply does not carry the analysis sufficiently deep or far. It is true that an economy in which costs rise more or less continuously, irrespective of changes in demand, faces a very serious problem. Our economy in this country is basically a free economy, organized on the fundamental premise that costs and prices are market-determined. We must constantly be alert to maintain a market atmosphere sufficiently competitive to make it impossible for cost-push reactions of the type described above to become dominant as they are alleged to be. I do not propose in this paper to delve into the complicated questions of whether or not our economy is or has been so dominated. If it has, it is a condition that obviously requires correction.

What I do want to point out, however, is that the kinds of problems that have been discussed in this paper are with us and have to be faced whenever we are confronted with inflation or, particularly, the anticipation of inflation, irrespective of whether the initiating cause is demand-pull or cost-push.

To be specific, it is the fact of rising prices or anticipation of rising prices that provides the incentive to borrow to finance overaccumulation of inventories and the construction of plant capacity in advance of need. It is the fact of rising prices or the anticipation of rising prices that leads to misallocations of investment and miscalculation of investment decisions. It is rising prices or the anticipation of rising prices that diverts savings into equities, and that dissipates their ability to finance growth, in short, that diminishes the supply of loanable funds and accentuates the demand in such a way as to force high and rising interest rates. Finally, it is the fact that a country's prices have risen above those of its competitors that prices a country out of world markets and initiates a deficit in the balance of payments. All of these reactions, which place great strains on the monetary and fiscal mechanism, ensue irrespective of whether an inflation may be described as cost-push or demand-pull.

In the credit market, these situations increase the profitability of operating on borrowed funds even at very high interest costs. They increase, therefore, the demand for borrowed funds far above the amounts made available by savings and unless they are resisted by appropriate fiscal and monetary policies, i.e., by balanced budgets and by restraints on the availability of reserves, they result inevitably in an expansion of bank-created money.

Because borrowing to anticipate inflation appears very profitable, the pressure of customers on their banks to borrow is very heavy and this in turn brings pressure on the Federal Reserve Banks to expand reserves. If this pressure is resisted, interest rates may have to rise quite sharply before the force toward overexpansion is contained. If the pressure is not contained and bank - created money is used to finance these hedges against inflation, the inflation, even if it started as a cost-push type, will by that very fact be converted into one of the demand-pull variety. This is why it is superficial to assert that restrictive monetary and fiscal policies are not appropriate in the presence of a cost-push type of inflation. The fact is that policies of restraint have to be applied whenever either the fact of inflation or its expectation becomes dominant in motivating business decisions.

This is not to say that other measures in addition to fiscal and monetary measures may not be needed in the presence of a cost-push type of inflation. It is clear that in the case of such an inflation, initiated and perpetuated by costs that rise persistently even in the absence of market pressures of demand, fiscal and monetary measures, while necessary for its containment, will not effectuate a cure. If costs are not responsive to market demand, the economy will not function at optimum levels nor will it enjoy optimum growth.

Stability — The Preferred Environment for Growth

What can we say then of the preferred environment for growth? I do not refer here to the resource factors essential for growth, such as invention, education, and research but rather to the more general type of environmental factors touched upon in this paper.

First, among these I would emphasize the maintenance of a market-oriented economy, sensitive to competitive forces, in which costs and prices are flexibly responsive to the interplay of supply and demand. In such an economy, I would expect to find quick appreciation of the advantages of essentials to growth—specialization, substitution, innovation, efficiency, and economy.

I realize that this assertion opens me wide to the rejoinder that such market orientation is conspicuously lacking in the Soviet Union which, we are told, enjoys a rate of growth far outshadowing ours. My reply would be that, on the one hand, forced saving and investment prevail at altogether exceptional rates in the Soviet Union and one would expect such rates of investment to be translated into high rates of growth, and, on the other hand, that according to recent reports the Soviet planners themselves are becoming keenly aware that the absence of market-determined costs and prices creates difficulties for them in planning the op-

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timum allocation of their resources. They are even reported to be discovering how interest rates are essential in these calculations.

Second, I would rely primarily upon the flexible adaptation of fiscal and monetary policies to provide both a sustained high level of output and a price behavior that did not stimulate expectations of inflation, creeping or otherwise.

Third, I would hope that the benefits of rising productivity and growth were broadly distributed in three general directions and not overweighted in any one: (a) in the direction of wage and income advances to the working force to encourage mobility and the ready availability of needed skills and talents at points of innovation; (b) in the direction of lower prices promotive of broader and expanded markets for those end products where productivity has lowered real costs; and (c) in the direction of sufficient profit-encouragement to those who innovate successfully to stimulate initiative in management - planning for growth. In other words, I would favor a situation where the efficiencies of growth were reflected in falling, not rising, unit costs.

I think it was something like this that provided the environment so favorable to the very rapid growth rates that prevailed in this country in the last third of the 19th century. I suspect that the lowering of unit costs at that time, made possible by the application of the new techniques of the Industrial Revolution to the untapped resources of the West, created a situation in which falling prices for final products still left wide margins to provide higher returns for manpower as well as investment.

Finally, I would avoid a situation where, despite a high rate of technical innovation and rising productivity, unit costs rise to such a degree as to press seriously on profit margins and thus bring pressure for selling prices also to rise. That path is the path of inflation with all the evils it entails. I do not disagree with the exponents of the economics of creeping inflation when they say that if costs rise faster than productivity, final prices must rise or the economy will grind to a halt. I disagree with them rather when they say that such a process is sustainable and constitutes an acceptable price for growth. My complaint is that it is both cruel and dangerous. Far from providing a firm underpinning to growth, it will, if long continued, engender instability, increase tensions, and impair the very basis of growth.

Named Director

Milton Steinbach, a senior partner of Wertheim and Company, investment bankers, has been elected a director of The Philip Carey Manufacturing Company, Robert S. King, Chairman, announced. Mr. Steinbach is also a director of Armour and Company, Baldwin-Lima-Hamilton Corporation, and Spiegel, Inc.

Quinn & Co. Opens New Branch in El Paso

EL PASO, Tex. — Quinn & Co. has opened a branch office at 111 South El Paso Street under the management of L. Philip Holmberg. Mr. Holmberg was formerly local manager for E. F. Hutton & Company.

R. F. Freschi Opens

(Special to THE FINANCIAL CHRONICLE)

GLENDALE, Calif. — Raymond F. Freschi has opened an office at 1032 North Glendale Avenue to engage in a securities business. Robert B. Carlson is associated with him.

Automation: Effects on Unions, Employment and Labor Force

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der how their skills will fit into this awesome world of the future.

Let me say that I believe that automation will tremendously increase productivity and thus our level of living. It will also change the character of many jobs, particularly in the machine shop trades. But the spectre of mass unemployment resulting from automation is patently false. Ever since the first machines were placed in factories there have been those who have regarded improved technology as a great bogey-man, certain to harm the laboring man and, therefore, the great mass of our people unless drastic remedies are hurriedly developed and put into effect. Yet, thanks to our great technology, we are a society in which leisure, education and income are distributed in the most equalitarian manner in history and further advances in well-being are steadily becoming available to an ever-widening number of persons.

Automation promises an accelerated continuation of this trend. Automation has and will create many individual jobs while raising the general level of living. People will be needed to operate and maintain, install and, above all, to manufacture automated machinery.

A serious fallacy of those who look upon automation as a source of unemployment is their failure to consider the jobs which are created by the manufacture and assembly of automated equipment—jobs, incidentally, which do and will continue to require the highest skills and techniques of the machinist trade. The huge and intricate machines and the complicated controls which make automation possible are the products of many industries employing many thousands of persons. Consider, for example, the new electronic plants and industries built since World War II to supply industry with machinery and controls.

Automation creates jobs also because, by producing more efficiently and at a lower cost, the automated plant can increase the market for goods. Society's standard of living can, therefore, be improved as more jobs are created. The fact that automation, as all technological progress, is basically job creating and not job destroying cannot be reiterated enough. A failure to comprehend this fact can result in the eventual stagnation of our industrial society. Some of the misunderstanding which has been generated over this point results from a failure to distinguish between two distinct, yet corollary types of innovation—intensive and extensive—and the impact of such innovation through automation on jobs.

Intensive versus Extensive Innovation

All types of innovation result from research and development stimulated by the constant competitive need of industry to reduce costs, to improve methods, and to develop new products and new designs. *Intensive* innovation results from efforts to improve methods, techniques or designs in order to insure a mass market. For example, the development and use of printed circuits is one big reason why General Electric can manufacture better radios in larger quantities at a better price than it did ten years ago.

Extensive innovation, on the other hand, results in the creation of entirely new products and new uses for products. Examples which come to mind are the transistor and the man-made diamond.

Automated methods and processes are basically examples of intensive innovation in operation. In some instances the use of automated methods results in the substitution of mechanical or electrical devices for human effort. It may also result in the substitution of the factory or the office worker. But it must result in less input of the factors of production to produce a unit of product. This is axiomatic for otherwise the innovation makes no economic sense. And it further follows, that a unit of product which requires less factor input is cheaper to produce and cheaper to buy. This is the real meaning of productivity gains in a growing economy.

Although intensive innovation is potentially labor displacing, this labor displacement is offset by three factors: the greater volume which cheaper production through intensive automation portends; the fact that new products become economically feasible to produce because of automation through intensive innovation; and the new equipment required by the greater production or rendering of all equipment obsolete by the new innovated, or automated methods.

Extensive innovation is entirely job creating except insofar as the new innovation or product puts an old out of business. Automation spurs extensive innovation (and by so doing creates jobs) because new machinery, materials, controls and facilities must be built to make automation possible. A growth economy is built upon the widespread advance of extensive innovation with its enormous job creating force. And demands for automating equipment are significant and far reaching factors contributing to such extensive innovation, and thus to the growth, progress, and prosperity of our economy and country.

I am, of course, not suggesting that there has not, nor in the future will not, be displacement of individual or groups of workers as a result of the installation of automated equipment. Such displacements have occurred many times in the past and will occur in the future. Several facts, however, should be noted in this regard.

Facts Regarding Job Displacement

In the first place, such displacement usually would have taken place anyway because a continuation of production by the old methods would render the operation inefficient and noncompetitive. The job loss which results from failure to automate in a competitive economy is greater than any temporary technological unemployment. And, of course, when the company does not automate and loses out to the more alert concerns, it does not contribute to employment through either the purchase of new equipment or through increased productivity.

In the second place, it should be noted that technological displacement of labor in this country has always been small because most technological development occurs in periods of high prosperity. Indeed one of the main reasons why there is prosperity is because of the jobs and income generated by business investment in plant and equipment. When that investment slows down, business conditions drop off. We have had an outstanding example of this investment cycle in 1958.

Those who have called the recession the first "automated recession" have given their facts completely upside down. We have a recession primarily because of temporary slowing down of business investments which in turn was caused by various factors, not the least of which has been the effect of the cost-price spiral on sales and on profits.

This sales drop and profit squeeze have made existing and prospective returns to business insufficient in many instances to justify further investment in expansion and improvement except on a dangerously unrewarding basis. The resulting cutback was a fundamental cause of the recession—certainly not an "automated recession," but perhaps it could aptly be termed a recession brought about in large measure by the inability to automate fast enough and effectively enough to arrest or slow the wage-price spiral and the profit squeeze.

A third point to bear in mind in this connection is that much potential technological displacement of labor is avoidable by intelligent planning. The decision to automate is not an overnight brainstorm that can be accomplished the next day. Careful planning, a long wait for delivery and ample opportunity to plan labor integration all combine to permit retraining and normal attrition to take care of much of the problem.

It must also not be forgotten that automation can bring new work to a plant. In order to justify an investment in automated equipment, companies sometimes integrate more fully, doing more processing of raw materials and less sub-contracting out of parts. This adds to jobs in automated factories by increasing the operations covered.

In the majority of cases, increased production accomplishes the same thing, and, of course, the availability of alternative work in other plants where neither of these are possible is a typical development. In any case, however, careful preparation and education, carried on with due regard for human dignity, can do much both to dispel the false fear of automation in the abstract and to handle the problems created by the introduction of new automation methods when they actually present themselves.

Pockets of Unemployment

The pockets of unemployment in areas such as Detroit, West Virginia and Pennsylvania which continue to exist despite the strong recovery made from the recession of 1958 have been attributed by some to the effects of automation. It is true that much of this unemployment is due to concentration of personnel in areas where fewer employees are needed or whose different or greater skills are required than the unemployed now possess. It is also correct that such unemployment may not be eliminated by the continued expansion of the economy, but will be reduced only by movement of workers, out of such areas such as the coal mining communities of West Virginia, or by the acquisition of skills by workers where the unemployed are predominantly unskilled and therefore unable to fill existing openings.

To attribute this unemployment largely to automation, however, may be quite incorrect. In the final period of our high prosperity in 1956-57 many of our factories and offices employed personnel far beyond their capacities or needs. This is typical of the end of the boom when over-employment occurs, not only on over optimism concerning the market, but also upon failure to assess gains in methods, equipment and productivity, and therefore to comprehend that a smaller work force is adequate for larger production. When the cutbacks do become required, these last hired are let go and the astounding discovery usually is made that they were never needed in the first place. Further cuts in employment based on more efficient methods and techniques are then made. Automation may be a factor in these cuts, but there is no reason to believe it is either the sole or the major factor.

Later, when business picks up, employers are understandably averse and reluctant to add to their work force. The discovery is then usually made that the existing work force is capable of even more increases in production without additions. This accounts for the large increase in productivity which always is featured in the first stages of the boom. To cry out that more goods are put out with less people at the start of the boom is merely to uncover the fact that the productivity gains of a few years back are now being realized when they probably should have been realized some years ago. To attribute such existing unemployment to a sudden burst of automation is to fail to see how closely 1959 patterns are following similar periods of the same position in the business cycle. There is nothing like the study of history to deflate the claims of those who see the present as unique.

Effect on Union Relations

The problems which have been discussed here are certain to have an effect on the union movement and on union relations. If for example, the proportion of hourly employees in the labor force continues to decline—that is, if the number and percentage of engineers, scientists, technicians and other salaried employees continue to grow at the same or greater relative rates—unions will represent a smaller proportion of the work force unless their program of white collar unionization can get off the ground. This helps to explain the tremendous interest of the AFL-CIO in unionizing white collar employees. Obviously the future power and prestige of the unions will be strongly affected by their success or lack of success in a white collar unionization program.

Predictions in this area are, of course risky, but so far there is little indication that the appeal of unions to white collar employees has met with a strong response. The average white collar employee has been somewhat loath to follow the leadership of hourly employees. This may certainly change. Any management policies which fail to take into consideration the problems and aspirations of salaried employees can certainly hasten that change. At present, however, there is no evidence of a grass roots swing of white collar employees toward unionism.

No group can be expected to be more affected or to profit more from automation than our engineers and scientists. Although the hysteria about the engineering shortage has subsided, there is still a shortage of good engineers and scientists, and there promises to be such a shortage for many years to come.

Our future automated economy will need good creative engineering talent in larger numbers than any time in the present or past. Moreover, all signs point to a recognition of the engineering profession in terms of status and compensation at a relatively higher level.

Most companies have now recognized the need for a sound personnel administration program for engineers and scientists which recognizes them as both members of professions and part of management. The budding engineering labor movement which began during World War II seems to have gained little ground in recent years, and is currently split over a dispute as to whether the engineering unions should include just engineers and scientists, or whether they should also embrace nonprofessional technicians. For the foreseeable future it seems, therefore, that the potential for unionizing engineers is rather small, provided, of course, man-

agement pursues intelligent and effective engineering personnel policies.

In union relations involving already unionized hourly employees, automation has meant and will mean greater effort on the part of unions to control technical progress and to push toward fringe benefits pertaining to layoffs, severance pay, guaranteed work, etc. It is also not unlikely that the shorter workweek may be revived with automation as the probable excuse for its resurrection—with the real demand, of course, more overtime pay rather than less work.

Up till now, officers of the great industrial unions have generally contented themselves with demanding wage increases so as, in their words, to share in the rewards of technological progress. The speed with which wages have gone up and, indeed, outstripped productivity since the end of World War II would seem to indicate that their program has been amazingly successful. Consequently, they have not attempted, as do some of the craft unions in the building and printing trades, to slow down the rate of technological progress or to control that rate of progress. Perhaps seduced by their own image of automation, we now see union officers, who in past years have proclaimed technological progress as a great benefactor of their members, demand controls on the speed with which plants may be automated.

Management and Union Control

In the course of my observations over the past several years as a teacher, a consultant, and an executive, I have reached the conclusion that those managements which are least interested in technological development are also least interested in preventing union encroachments in that field. On the other hand, in those plants in which management has been most dynamic in applying the latest technological developments to its own processes and methods, the unions have had the least interest and the least success in preventing change and growth. I, therefore, conclude that no matter how strong is the union push in the direction of attempting to control technological advancement and automation, sound management with a desire to maintain its position in this field can prevent restrictions on technological development which do no one good and which can do irreparable harm to the industry and to the workers involved.

Certainly, it ill behooves any company to agree to any limitations on its right to substitute efficient machinery for less efficient methods, even though some labor displacement is the immediate, though not the long run, result. The managements which yield on this question are driving a nail in the coffin of their companies, because the aggressive managements which do not yield will outstrip them in costs and in production at a very rapid rate.

Concluding Remarks

Automation has, and will pose problems which are bound to tax the ingenuity of all of us. Both as an economist and an active participant in the employee relations field, I am almost daily made aware of the gravity of these problems, and at the same time, of the necessity for us to attack these problems not only with knowledge of past practice, but also with knowledge of principles and with ability to adapt to changing conditions, frequently essential in today's rapidly moving world.

One thing those of us who have worked and studied in this area have learned is to beware of easy generalizations or quick conclusions which are not based upon reasonable observations, let alone actual research. Human reaction to change is both subtle and complicated, and rarely conforms to the pattern to which it is assigned by the uninformed. The ability to take change in stride and to handle the unexpected is a trademark of maturity and competence. All of us in the future, as in the past, will participate in change, will contribute to change, must handle change, and must be able to understand and to profit by change. Automation is, and will continue to be, one of the facts of our fast changing world which we must further, not hinder, to assure best the survival and the progress of our economy.

Management—Its Importance In Credit Analysis

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their problems are, and how they may be solved?

The problem of analyzing management also varies with the size of the business enterprise. In a one-man enterprise, there is only one man to evaluate because he alone can be considered responsible for the failure or success of the business. In a large and complex enterprise, there are many men to measure. Sometimes because of the difficulty of analysis, the problem is ignored, while in other cases a real effort is made to get under the surface to see what makes the organization tick —or groan, as the case may be.

Lastly, the problem of analyzing management varies with the size and duration of the loan. When the loan is large, the dollar risk is greater; therefore, there is need for more careful evaluation. When the loan is small, the risk is less, and the need for evaluation not so important. This also applies to the time factor — the shorter the time, the less the risk; the longer the time, the greater the risk.

The Failure Record

In case anyone doubts as to the importance of trying to determine the quality of management, let me cite the results of a study of business failures published by Dun and Bradstreet in April, 1958, under the title "The Failure Record Through 1957." This study covered 13,739 business failures occurring in 1957, a relatively good business year. The average liabilities per failure were $44,784, and the aggregate liabilities involved in all the failures were over $615 million. The reasons for these failures, so far as they can be reasonably determined, were as follows:

Reason for Failure	% of Failures
Neglect	4
Fraud	2
Disaster	1
Unknown	1
Management	92
	100

Assuming the accuracy of the determination of the cause of failure, it can be seen that management weakness is the overwhelming cause of business suspension. The reasons for the failure of management were given as follows:

Lack of experience in the line of business	13
Lack of managerial experience	19
Unbalanced experience	19
Incompetence	41
	92

The underlying management weaknesses responsible for these failures were tabulated as follows: inadequate sales, poor credit and collection policies, competitive weakness, heavy operating expenses, inventory problems, and over-investment in fixed assets.

Quick Mortality

Another study of business failures made by Dun and Bradstreet, and covering all business failures in 1954, showed that 84.5% of companies failing were less than 10 years old, and that 57.2% of these companies were less than 5 years old. It should be evident from the study cited that the loan difficulties which banks are likely to experience are strongly affected by the age of the business enterprise, age being an indication of reasonably good past management, and management quality. This is why I believe that the management of business is so important to us bankers, and that it may be the most important single element in credit appraisal, and that, therefore, it deserves our most thoughtful consideration and analysis.

So I think that we ought not to lose sight of this all-important factor when we are reducing balance sheets and income statements in making our statistical analyses to tenths (or even hundredths!) of percentage points. This is not to say that statistical analysis is not necessary or desirable, because we all recognize it is. But the arithmetic perfection of statement analysis should not blind us to the significance of the developments or trends indicated by the analysis or, more importantly, to the intangible factor of management which lies behind all the figures and statements.

How Is Management Quality Measured?

If management quality is such an elusive and intangible thing, and yet so important in credit analysis, you may well ask how it can be measured. This is a good question. The answer is that it is a matter of trying to get at the facts and then applying some judgment in the determination of whether the specific management is superior, average, mediocre, or inferior. Once this is determined, this judgment along with the judgment of the financial statements themselves form the basis for passing upon the overall quality of the credit risk.

Here is how I think one might go about investigating the management factor. The extent of the analysis or investigation will depend upon some of the factors previously mentioned, such as the size of the enterprise, how well known to you the management is, the size of the loan requested, and the length of time it is to run. In the light of these factors, you should find out from whatever sources of information seem appropriate first, who the directors of the company are. Questions which might be asked about the directors are: How well balanced is the Board? How active is the Board in the borrower's affairs? Is the Board management dominated? The answers to these questions will suggest what further analysis might be made.

Among other things, an effort should be made to determine what objectives, if any, have been set for the business in terms of growth, sales, and profits, or in terms of diversification of sales, products, or markets—or in research and development. If you find there is some kind of a program to cover these factors, it should be reassuring and should lead to certain other questions.

The primary question here is what policies have been established to attain these objectives. Then it needs to be determined whether the policies are real policies or merely statements of intent, and whether they are adhered to, and are fully understood by those directly concerned.

Once these questions have been answered, one should get a general feeling of the effectiveness of management at the upper level, particularly in the area of probable future growth and plans.

Objectives and policies have no great significance unless there are competent people to administer the policies, and attain the objectives. This leads to an investigation as to who the chief executive of the business is. Normally, you can get some impression of him from questioning and discussion and determine whether he has his mind on the basic objectives of the business, whether he is seeing that policies are in fact being carried out, or whether he is immersed in details or confines his attention to direction, follow-up, and the primary goals that should be in mind.

It is important to know how the chief executive administers the business. Questions which can be asked here are whether he delegates responsibility and authority, and whether he can review the performance of the number of men reporting to him. There may be too many, which could very well give him a feeling of frustration—or there could be too few, which might put him in an "ivory tower" position where he doesn't know what is really going on.

The Lower Echelons

There are other questions which also need answering. For example, it is important to know whether the lower echelons of management have been developed and in what depth, and if they understand company objectives and policies.

Another question about the chief executive is whether he is a technician and has a management composed of men similar to himself, or whether he has the broad view of the business as a whole with the proper balance for the various functions which need to be carried out. It is also interesting to know whether the chief executive inspires his subordinates with respect, enthusiasm, or fear.

When you have the answers to these questions in a reasonably satisfactory form, you should be in a position to pretty well size up the chief executive and to know whether he is carrying out the policies necessary to meet the objectives of the business, whether he has his feet on the ground, and whether he seems fit to fill the job he holds.

Depending on the size of the organization, the next step should be to inquire into the second echelon of executives to see if they understand company policies and objectives, and whether they work in harmony as a team. At this point, it should also be possible to determine if the major business functions of sales, finance, and accounting, manufacturing, research, and legal work are being properly performed. It is important at this point also to know whether the executives responsible for these functions are well balanced and broad viewed, or whether they are narrow specialists interested in things rather than people.

An effort should also be made here to find out whether the various executives have made provision for succession so that the business will be protected in the event anything happens to any one of them.

Overall, then, if you find that the Board is active and well balanced, that there are clear objectives and policies to accomplish them, that the chief executive has his eye on the ball and knows what he is doing, that his subordinates have a good morale and enthusiasm and are broad-gauged, you can well arrive at the opinion that the organization is well put together as a team to perform the required functions. Having arrived at such an opinion, you probably will consider the management satisfactory except for two other factors which might be explored.

Risk Factors

The first factor is whether the organization is willing to take normal business risks. If it is, it should progress provided it does not take risks beyond its capacity to absorb losses which might be incurred if the risks turn out badly. If it is not, and is interested only in conserving what has been accumulated, you should take another look because the business might die on the vine of overcautious conservatism.

The second factor is the performance record of the management. This can best be determined from the financial statements, by computing the rate of return on sales and capital over a period of years, and comparing the results with similar competing businesses. This should be the final check on your opinion of management, and should indicate whether it is superior, average, or inferior. This should be an important guide in the analysis of the credit.

The Financial Statement

Now that the analysis of management has been completed, it can be tied up with the analysis of the financial statements to arrive at an overall opinion of the credit. I don't want to imply that you will ever find perfection when you make a management analysis along the lines indicated. In this area, we are dealing with the most intangible thing of all, which is what is in people's minds. There will be some members of the team who will be stronger than others, and there may be some who are actually weak. Also it will be found that different managements will have different approaches to the same problem, and that some will get poorer results than others, and still be regarded as sound.

But if you know the people, how they think, how the organization is set up, how it performs, and its strengths and weaknesses, you have investigated the most important factor in credit analysis —management.

It should be remembered that no amount of capital is a good bulwark against poor management. Continued operating losses will erode the strongest balance sheet. A good management team can, from operating profits and through sound financial policies, overcome even a very weak balance sheet. In other words, it is likely to be much better to deal with a financially poor, topnotch performer than a rich fool if you want to make sound loans and build a good bank.

Customers Brokers Annual Meeting

The regular quarterly meeting of the Association of Customers Brokers and the election and installation of officers for the coming year will be held in the Terrace Suite of the Hotel Roosevelt, Madison Avenue at 45th Street, on Wednesday, Sept. 23rd, 1959. Dinner will follow the cocktail hour with tickets priced at $10 per member, including all gratuities.

Meeting will be at 4:15 p.m., with cocktails at 5:30 p.m. and dinner at 6:30 p.m.

Many, many useful prizes will again be given away and several members will let us hear "My Favorite Stock."

Seating will be arranged with ten persons at a table. Reservations, on a first-come, first-served basis, must be in by Sept. 18, 1959, and should be made with Albert F. Frank, Ladenburg, Thalmann & Co.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Gerald A. Grossman is now affiliated with Bache & Co., 229 East Wisconsin Avenue.

The State of Trade and Industry

Continued from page 5

tons of raw steel annually, the steelmaking facilities were utilized at an average of 41.7% of capacity during July 1959, compared with 89.9% in June 1959. The per cent of capacity figure for the first seven months of 1959 was 81.1.

Auto Makers Embarking on 1960 Models

U. S. auto manufacturers dropped to their lowest weekly volume in 11 months in the week ended Aug. 22, as more assembly plants shut down for model changeovers, Ward's Automotive Reports said.

At the same time, however, Ward's noted that several car builders had launched production of '60 models, with others preparing to follow with their newly restyled versions.

The statistical agency estimated the car output at 33,305 units in the week ended Aug. 22, a drop of 54.1% from last week's 72,603 new car completions and lowest count for the industry since Sept. 8-13, 1958 (24,072 units). In the same week last year, 25,918 cars had been built.

Closing down their assembly lines on Aug. 21 to change-over facilities for '60 model car building were Ford Division plants at Kansas City, Los Angeles and San Jose, Calif. The Lincoln-Thunderbird factory at Wixom, Mich., also completed its '59 model run. Other Ford Motor Co. units will wind up their activities in the week beginning Aug. 24.

Meanwhile, Ward's said, production of '60 model cars was beginning to rumble. Chevrolet will have built 2,300 Corvairs at Willow Run, Mich., in the Aug. 24 week, the first of the Big Three in the auto industry to attain volume output of their new compact cars. This was the only car assembly by General Motors in that week.

Another company going into '60 model scheduling was Studebaker - Packard, beginning Thursday, Aug. 30. Imperial started new model manufacture last week. Chrysler's new Plymouth-Dodge plant at St. Louis is in the throes of pushing through "pilot" models.

Truck building picked up a bit in the week ended Aug. 22, Ward's said, as Willys Motors and International Harvester reactivated their plants following two-week vacation closedowns, and Dodge increased output. Ward's counted 15,560 truck completions for the week, compared to 11,064 last week and 8,895 units during the same week last year.

Car-truck manufacture in the U. S. to date this year is running 45.7% ahead of comparable 1958.

Carloadings Down 13.2% From 1958 Week

Loading of revenue freight for the week ended Aug. 15, 1959, totaled 543,844 cars, the Association of American Railroads announced Aug. 20. This was a decrease of 82,470 cars, or 13.2% below the corresponding week in 1958, and a decrease of 206,796 cars or 27.5% below the corresponding week in 1957.

Loadings in the week of Aug. 15, were 11,540 cars or 2.2% above the preceding week. It is estimated that about 160,000 additional cars would have been loaded in the current week if there had been no steel strike.

Coal loading amounted to 98,751 cars, a decrease of 13,369 cars below the corresponding week a year ago, but an increase of 4,525 cars above the preceding week this year.

Intercity Truck Tonnage 17.3 Above 1958 Week

Intercity truck tonnage in the week ended Aug. 15, was 17.3% ahead of the corresponding week of 1958, the American Trucking Associations, Inc., announced Aug. 21. Truck tonnage was less than 1% ahead of that of the previous week of this year—up 0.2%.

These findings are based on the weekly survey of 34 metropolitan areas conducted by the ATA Research Department. The report reflects tonnage handled at over 400 truck terminals of common carriers of general freight throughout the country.

Electric Output 12.1% Above 1958 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 22, was estimated at 14,003,000,000 kwh., according to the Edison Electric Institute. Output increased by 355,000,000 kwh. above that of the previous week's total of 13,648,000,000 kwh. and showed a gain of 1,517,000,000 kwh. or 12.1% above that of the comparable 1958 week.

Lumber Shipments Down 10% From 1958 Week

Lumber shipments of 465 mills reporting to the National Lumber Trade Barometer were 3.9% below production for the week ended Aug. 15, 1959. In the same week new orders of these mills were 7.5% below production. Unfilled orders of reporting mills amounted to 42% of gross stocks. For reporting softwood mills, unfilled orders were equivalent to 19 days' production at the current rate, and gross stocks were equivalent to 41 days' production.

For the year-to-date, shipments of reporting identical mills were 2.2% above production; new orders were 2.7% above production.

Compared with the previous week ended Aug. 8, 1959, production of reporting mills was 1.5% below; shipments were 6.7% below; new orders were 6.1% below.

Compared with the corresponding week in 1958, production of reporting mills was 6.8% below; shipments were 10.0% below; and new orders were 21.2% below.

Business Failures Off Slightly

Commercial and industrial failures declined slightly to 263 in the week ended Aug. 20 from 269 in the preceding week, reported Dun & Bradstreet, Inc. Fewer casualties occurred than in the comparable week last year when there were 272, but they exceeded the 260 in 1957 and were almost even with the prewar toll of 264 in the similar week of 1939.

Failures involving liabilities under $5,000 accounted for the week's dip, falling to 34 from 43 a week earlier, although they remained above the 25 of this size a year ago. Meanwhile, casualties with liabilities of $5,000 or more edged up to 229 from 226 but did not reach their last year's level of 247. Liabilities ranged above $100,000 for 19 of the failing concerns, as compared with 23 in the previous week.

The toll among retailers declined to 113 from 126 and among commercial services to 27 from 33. Contrasting increases prevailed in other lines, lifting manufacturing casualties to 51 from 45, wholesaling to 27 from 22, and construction to 45 from 43. More businesses failed than a year ago in manufacturing and construction, but other groups had slightly lower mortality than in 1958.

Most of the week's decline was concentrated in the East North Central States where casualties fell to 34 from 63. In addition, there were slight dips in the New England, East South Central and Mountain States. On the other hand, four regions reported mild increases, including the Middle Atlantic, up to 80 from 77, and the Pacific, up to 67 from 60. Regional trends from last year's level continued to vary, with mild declines in five areas offsetting increases in four. The most noticeable downturn from 1958 was in the Middle Atlantic States, while the most marked rise appeared in the South Atlantic States.

Wholesale Commodity Price Index Shows Moderate Decline

Sharp declines in the prices of eggs and potatoes, together with a slight easing of prices of most grains, brought the general commodity price level down from one week ago. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc. was 276.68 on August 24, compared with 277.24 last week and 276.30 one year ago.

In one of the slowest weeks of trading this year, grain prices moved only fractions of a cent from day to day. At the close, wheat was unchanged from last week while barley, oats, corn and rye were down in price by very small amounts. Soybeans were also down fractions of a cent.

There was little buying of bakery flours and semolina last week and only moderate activity in family flours. Prices were slightly below a week ago at the close. Rice showed a modest drop in price although mills readily bought up new crop Zenith and Century Patna. Stocks in domestic channels remain light.

Raw sugar prices rose a few cents over those of the previous week despite an easing off at the end of the week. Possibility of a strike by dockworkers next month will strengthen the market, in the opinion of some traders. Spot prices on coffee remained unchanged from week to week, with a fair volume transacted. Both futures and spot prices on cocoa were up this week over the previous week.

Receipts of cattle at Chicago during the past week were the largest in about two months. Live choice steers remained at last week's prices. Hog prices were up over the prior week with small receipts reported. There were 20% fewer lambs offered this week than last but prices held steady.

Although cotton futures prices closed higher than in the previous week, spot cotton prices showed a small decrease this week. The Census Bureau reported during the week that there was a carryover of 8,908,000 bales at the end of the season on July 31 as compared to 8,737,000 bales on July 31, 1958. Exports in the week ended last Tuesday were approximately 20,000 bales, compared with 13,000 bales last week and 53,000 bales a year ago.

Wholesale Food Price Index Rises Fractionally

The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., advanced 0.3% on Aug. 18 to $5.95 from $5.93 a week earlier. The current level was 8.3% below the $6.49 of the corresponding date a year ago.

Commodities quoted higher this week were hams, butter, sugar, cocoa and hogs. Lower in wholesale price were flour, rye, oats, barley, beef, lard, cottonseed oil and rice.

The Index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Retail Sales Still Running Ahead of Last Year

Summer clearance sales of furniture and clothing, a step up in Fall women's and junior apparel sales, and back-to-school promotions continued to boost retail sales over those of last year in most parts of the country. Unusually hot weather in the East at the end of last week prevented further gains, but the steel strike has not had much effect thus far, except for a limited number of cities in the strike areas. Auto sales reports vary from down 10% to up 12% in various parts of the country.

The total dollar volume of retail trade in the week ended Aug. 19 was 2% to 6% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1958 levels by the following percentages: Pacific +8 to +12; East South Central +4 to +8; West South Central +3 to +7; New England, East and West North Central +2 to +6; Middle Atlantic +1 to +5; South Atlantic and Mountain 0 to +4.

While Summer clearances of women's clothing continued to pull well, activity in back-to-school business provided a good part of the sales gain over last year. Dresses, coats and suits for women were all good sellers for Fall, and junior apparel sales were especially strong. Men's and boys' wear sales reports were mixed last week. Some cities showed gains of up to 10% in men's clothing and up to 20% in boys' and young men's clothing and furnishings. Other cities noted that sales were slightly below last year's figure. Furnishings for men were not moving much in most areas.

Nationwide Department Stores Sales Up 6% for August 15 Week

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended Aug. 15, increased 6% above the like period last year. In the preceding week, for Aug. 8, an increase of 9% was reported. For the four weeks ended Aug. 15, a gain of 7% was registered and for Jan. 1 to Aug. 15, an 8% increase was noted.

According to the Federal Reserve System department store sales in New York City for the week ended Aug. 15 a 1% loss was reported over the like period last year. In the preceding week Aug. 8 a 9% increase was reported. For the four weeks ended Aug. 15 a 4% gain over the same period in 1958 was recorded and Jan. 1 to Aug. 15 showed a 4% increase.

Blyth Group Offers Pacific Gas 5% Bonds

Blyth & Co., Inc. is manager of an underwriting syndicate which offered publicly yesterday (Aug. 26) a new issue of $65,000,000 Pacific Gas & Electric Co. first and refunding mortgage bonds, 5% series EE due June 1, 1991.

The underwriters bought the bonds at competitive sale yesterday by bidding 99.36% for the indicated coupon and are offering the issue at a price of 100%.

The net proceeds from the sale will be used by the company for costs of additions to its properties. Initially Pacific Gas and Electric plans to repay $30,500,000 of short-term bank loans incurred for such additions. Costs in the full year 1959 for extending and enlarging facilities are expected to amount to $156,000,000.

The company, an operating public utility, provides electric and gas service throughout most of northern and central California. The territory served has a population of about 6,310,000 and includes 1,877,000 electricity customers and 1,584,000 gas customers.

The series EE bonds are redeemable at general redemption prices and sinking fund redemption prices ranging from 105% to the principal amount.

Total gross operating revenues of Pacific Gas and Electric in the 12 months ended June 30, 1959 were $556,669,000 and net income before interest and other income deductions was $115,205,000, compared with $534,778,000 and $110,638,000, respectively, in the calendar year 1958.

Coral Ridge Prop's Securities Offered

An underwriting group headed by Cruttenden, Podesta & Co. and J. R. Williston & Beane yesterday (Aug. 26) offered to the public 450,000 shares of Coral Ridge Properties, Inc. 60-cent cumulative convertible preferred stock ($8 par value) and 450,000 shares of class A common stock.

Each share of preferred stock is convertible into two shares of class A common.

The offering is made only in units of one share of preferred and one share of class A common, at a price of $10 per unit.

The company will use the proceeds to prepay a mortgage against the company and add the balance to general funds. Coral Ridge Properties, Inc. with principal offices in Fort Lauderdale, Fla., is engaged in real estate and land development and sales.

Private Placement by Walter E. Heller & Co.

Walter E. Heller & Co. today (Aug. 27) announced the private placement with institutional investors of $13,450,000 of senior notes due 1974. An additional $1,550,000 of the notes will be taken down Oct. 1, this year.

F. Eberstadt & Co. and Dean Witter & Co. negotiated the transactions.

Heller, a major commercial financing and factoring organization, will use the net proceeds from the private sale to expand general funds, enabling the company to increase its general volume of business. In six months ended June 30, 1959 the company had gross income of $10,698,179 and net income of $2,058,727, both record figures.

Heller, founded in 1919, has its headquarters in Chicago, maintains offices in New York and Atlanta, and has subsidiaries in Chicago and Los Angeles.

James C. Myers

James C. Myers, First Albany Corporation, Albany, N. Y., passed away on July 26.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date.

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	Aug. 29	§12.1	*11.3	12.2	63.5
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 29	§343,000	*321,000	345,000	1,715,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 14	6,822,575	6,788,975	6,858,275	6,838,935
Crude runs to stills—daily average (bbls.)	Aug. 14	¶7,950,000	7,836,000	7,946,000	7,713,000
Gasoline output (bbls.)	Aug. 14	29,077,000	28,167,000	28,419,000	27,577,000
Kerosene output (bbls.)	Aug. 14	1,939,000	1,436,000	1,598,000	1,950,000
Distillate fuel oil output (bbls.)	Aug. 14	12,024,000	12,415,000	12,701,000	11,628,000
Residual fuel oil output (bbls.)	Aug. 14	5,973,000	6,153,000	6,563,000	6,897,000
Stocks at refineries, bulk terminals, in transit, in pipe line					
Finished and unfinished gasoline (bbls.) at	Aug. 14	183,104,000	183,481,000	189,859,000	176,487,000
Kerosene (bbls.) at	Aug. 14	29,473,000	29,004,000	28,232,000	27,018,000
Distillate fuel oil (bbls.) at	Aug. 14	147,907,000	142,994,000	129,352,000	127,767,000
Residual fuel oil (bbls.) at	Aug. 14	55,525,000	*56,375,000	54,269,000	67,165,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 15	543,844	532,304	585,070	626,314
Revenue freight received from connections (no. of cars)	Aug. 15	483,610	484,596	469,892	517,535
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 20	$377,900,000	$412,400,000	$651,700,000	$373,030,000
Private construction	Aug. 20	210,300,000	230,200,000	237,300,000	161,376,000
Public construction	Aug. 20	167,600,000	182,200,000	414,400,000	211,662,000
State and municipal	Aug. 20	83,300,000	150,500,000	383,400,000	166,401,000
Federal	Aug. 20	84,300,000	31,700,000	31,000,000	45,261,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 15	7,145,000	*6,805,000	7,270,000	8,045,000
Pennsylvania anthracite (tons)	Aug. 15	341,000	368,000	354,000	397,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 15	132	131	118	124
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 22	14,003,000	13,648,000	13,577,000	12,486,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 20	263	269	245	272
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 18	6.196c	6.196c	6.196c	6.188c
Pig iron (per gross ton)	Aug. 18	$66.41	$66.41	$66.41	$66.49
Scrap steel (per gross ton)	Aug. 18	$39.83	$39.83	$39.50	$41.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 19	29.600c	29.600c	29.500c	26.100c
Export refinery at	Aug. 19	28.650c	28.800c	27.325c	25.350c
Lead (New York) at	Aug. 19	12.000c	12.000c	12.000c	10.750c
Lead (St. Louis) at	Aug. 19	11.800c	11.800c	11.800c	10.550c
‡Zinc (delivered) at	Aug. 19	11.500c	11.500c	11.500c	10.500c
Zinc (East St. Louis) at	Aug. 19	11.000c	11.000c	11.000c	10.000c
Aluminum (primary pig. 99.5%) at	Aug. 19	24.700c	24.700c	24.700c	24.700c
Straits tin (New York) at	Aug. 19	102.625c	101.750c	102.250c	94.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 25	82.56	83.48	83.81	90.34
Average corporate	Aug. 25	85.85	86.11	85.85	92.64
Aaa	Aug. 25	89.78	89.92	89.37	97.31
Aa	Aug. 25	87.86	87.99	87.86	95.32
A	Aug. 25	85.33	85.85	85.46	92.79
Baa	Aug. 25	80.93	81.29	81.29	85.98
Railroad Group	Aug. 25	84.55	84.81	84.94	89.64
Public Utilities Group	Aug. 25	85.07	85.46	84.94	92.64
Industrials Group	Aug. 25	87.99	88.27	87.86	96.07
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 25	4.24	4.13	4.10	3.37
Average corporate	Aug. 25	4.72	4.70	4.72	4.23
Aaa	Aug. 25	4.43	4.42	4.46	3.92
Aa	Aug. 25	4.57	4.56	4.57	4.05
A	Aug. 25	4.76	4.72	4.75	4.22
Baa	Aug. 25	5.11	5.08	5.08	4.71
Railroad Group	Aug. 25	4.82	4.80	4.79	4.44
Public Utilities Group	Aug. 25	4.78	4.75	4.79	4.23
Industrials Group	Aug. 25	4.56	4.54	4.57	4.00
MOODY'S COMMODITY INDEX	Aug. 25	385.6	382.9	379.7	392.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 15	298,923	366,851	278,124	261,628
Production (tons)	Aug. 15	325,729	336,991	274,741	294,259
Percentage of activity	Aug. 15	96	98	84	93
Unfilled orders (tons) at end of period	Aug. 15	551,214	578,875	565,951	439,249
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 21	109.40	109.42	110.80	108.73
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	July 31	2,430,330	2,465,690	2,009,000	2,442,080
Short sales	July 31	410,020	372,010	321,470	590,890
Other sales	July 31	2,044,190	2,013,960	1,841,450	1,938,740
Total sales	July 31	2,454,210	2,385,970	2,162,920	2,529,630
Other transactions initiated off the floor—					
Total purchases	July 31	360,650	335,530	318,670	568,620
Short sales	July 31	40,400	12,400	25,400	34,300
Other sales	July 31	364,760	346,560	324,170	503,330
Total sales	July 31	405,160	358,960	349,570	537,630
Other transactions initiated on the floor—					
Total purchases	July 31	660,150	721,752	635,090	822,620
Short sales	July 31	113,870	123,970	81,960	208,230
Other sales	July 31	759,137	753,172	664,246	789,742
Total sales	July 31	873,007	877,142	746,206	997,972
Total round-lot transactions for account of members—					
Total purchases	July 31	3,451,130	3,522,972	2,962,760	3,883,320
Short sales	July 31	564,290	508,380	428,830	833,420
Other sales	July 31	3,168,087	3,113,692	2,829,866	3,231,812
Total sales	July 31	3,732,377	3,622,072	3,258,696	4,065,232
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	July 31	1,834,992	1,736,861	1,571,175	1,520,845
Dollar value	July 31	$98,212,654	$92,082,884	$86,848,352	$68,972,997
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 31	1,546,095	1,510,654	1,317,297	1,596,284
Customers' short sales	July 31	4,798	4,869	5,432	12,550
Customers' other sales	July 31	1,541,297	1,505,785	1,311,865	1,583,725
Dollar value	July 31	$80,042,388	$75,231,473	$67,845,249	$70,358,060
Round-lot sales by dealers—					
Number of shares—Total sales	July 31	378,030	381,920	347,730	555,590
Short sales	July 31	------	------	------	------
Other sales	July 31	378,030	381,920	347,730	555,590
Round-lot purchases by dealers— Number of shares	July 31	672,830	614,640	590,290	450,250
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	July 31	621,930	576,510	494,010	1,094,050
Other sales	July 31	15,203,330	14,945,330	13,181,710	18,458,120
Total sales	July 31	15,825,260	15,521,840	13,675,720	19,552,170
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 18	119.3	*119.2	119.3	118.8
Farm products	Aug. 18	87.9	*87.2	88.2	93.0
Processed foods	Aug. 18	106.8	106.1	107.0	110.7
Meats	Aug. 18	96.9	95.0	98.4	108.[illegible]
All commodities other than farm and foods	Aug. 18	128.3	*128.4	128.1	125.[illegible]

*Revised figure. ¶Includes 936,000 barrels of foreign crude runs. §Based on new annual capacity of 147,633,670 tons as of Jan. 1, 1959, as against Jan. 1, 1958 basis of 140,742,570 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Month Latest	Month Previous	Ago Year
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of July 31:			
Imports	$258,737,000	$255,568,000	$269,096,000
Exports	333,894,000	327,084,000	379,737,000
Domestic shipments	12,610,000	13,725,000	22,488,000
Domestic warehouse credits	13,700,000	19,498,000	290,371,000
Dollar exchange	84,940,000	111,350,000	140,950,000
Based on goods stored and shipped between foreign countries	253,216,000	255,849,000	250,722,000
Total	$957,097,000	$983,074,000	$1,353,364,000
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE — Month of June (000's omitted)	$852,900	$1,821,100	$806,600
CONSUMER PRICE INDEX—1947-1949=100— Month of June—			
All items	124.5	124.0	123.7
Food	118.9	117.7	121.6
Food at home	116.6	115.2	120.4
Cereal and bakery products	134.2	134.5	132.9
Meats, poultry and fish	111.6	111.6	118.3
Dairy products	112.3	112.6	111.7
Fruits and vegetables	134.5	125.6	134.3
Other food at home	102.3	102.8	110.9
Food away from home (Jan. 1953=100)	115.6	115.2	------
Housing	128.9	128.8	127.8
Rent	139.5	139.3	137.7
Gas and electricity	119.3	118.7	116.9
Solid fuels and fuel oil	133.9	135.3	131.7
Housefurnishings	104.1	103.7	104.1
Household operation	133.9	133.8	131.1
Apparel	107.3	107.3	106.7
Men's and boys'	108.1	108.2	108.8
Women's and girls'	98.9	99.0	98.5
Footwear	134.5	133.5	129.8
Other apparel	91.8	92.1	91.9
Transportation	145.7	145.4	138.9
Public	134.8	134.5	187.7
Private	192.7	192.7	128.0
Medical care	150.6	150.2	143.9
Personal care	131.1	130.7	128.0
Reading and recreation	118.1	117.8	116.7
Other goods and services	129.2	128.4	127.2
COTTON GINNING (DEPT. OF COMMERCE):			
To Aug. 1 (running bales)	151,444	------	212,569
COTTON PRODUCTION (DEPT. OF COMMERCE): (running bales) as of Aug. 1	14,815,000	------	11,435,323
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of June:			
Weekly earnings—			
All manufacturing	$90.09	*$91.17	$83.50
Durable goods	97.51	*99.36	89.83
Nondurable goods	80.00	*79.40	75.66
Hours—			
All manufacturing	40.4	*40.7	39.2
Durable goods	40.8	*41.4	39.4
Nondurable goods	39.8	*39.7	39.0
Hourly earnings—			
All manufacturing	$2.23	$2.24	$2.33
Durable goods	2.39	*2.40	2.28
Nondurable goods	2.01	*2.00	1.94
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of July:			
Seasonally adjusted	153	155	134
Unadjusted	144	155	125
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of May (000's omitted):			
Savings and loan associations	$1,150,616	$1,148,193	$844,756
Insurance companies	111,785	114,793	112,854
Banks and trust companies	534,369	553,028	418,081
Mutual savings banks	140,212	124,498	119,834
Individuals	339,218	333,073	282,685
Miscellaneous lending institutions	492,202	502,096	372,607
Total	$2,768,402	$2,775,681	$2,150,817
RUBBER MANUFACTURING ASSOCIATION INC.—Month of June:			
Passenger Tires (Number of)—			
Shipments	8,885,554	8,504,133	8,117,358
Production	9,022,197	6,852,721	7,305,754
Inventory	16,134,426	15,721,389	17,464,550
Truck and Bus Tires (Number of)—			
Shipments	1,351,916	1,221,535	1,113,247
Production	1,271,797	943,368	987,543
Inventories	2,953,973	3,005,897	3,455,867
Tractor Implement Tires (Number of)—			
Shipments	353,746	345,747	334,286
Production	344,794	222,569	294,512
Inventory	679,204	669,875	657,058
Passenger Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,871,509	3,275,370	3,601,590
Production	3,683,192	2,752,413	3,476,034
Inventory	6,999,506	6,849,064	8,156,429
Tread Rubber (Camelback)—			
Shipments (pounds)	43,428,000	37,296,000	39,524,000
Production (pounds)	45,434,000	35,504,000	41,553,000
Inventory (pounds)	27,163,000	25,316,000	30,515,000
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)— Month of May:			
Net railway operating income	$87,465,592	$82,337,324	$44,011,499
Other income	24,179,466	20,099,096	22,962,574
Total income	111,645,058	102,436,420	66,974,073
Miscellaneous deductions from income	4,101,781	4,413,833	4,123,886
Income available for fixed charges	107,543,277	98,022,587	62,850,187
Income after fixed charges	76,049,263	66,615,236	31,173,707
Other deductions	4,344,239	4,249,861	3,882,637
Net income	71,705,024	62,365,375	27,291,070
Depreciation (way & structure & equipment)	50,916,262	50,912,976	50,248,915
Federal income taxes	33,685,030	33,010,739	9,743,343
Dividend appropriations:			
On common stock	30,616,340	24,833,139	33,095,412
On preferred stock	4,670,210	733,331	4,571,417
Ratio of income to fixed charges	3.41	3.12	1.98
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of July:			
Net sales		------	------
Net purchases	$32,194,900	$9,969,500	$58,167,000

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Abbott-Warner Co., Inc.
Aug. 12 (letter of notification) 62,500 shares of common stock (no par). **Price**—$2.70 per share. **Proceeds**—To prepare estimates and to submit bids, as a prime contractor on specialized construction projects. **Underwriter**—Strathmore Securities, Inc., 605 Park Bldg., Pittsburgh 22, Pa.

● **Acme Missiles & Construction Corp. (9/11)**
July 24 filed 200,000 shares of common stock (par 25c), of which 150,000 shares will be offered for public sale for the account of the company, and 50,000 shares will be offered for the accounts of the present holders thereof. **Price**—$6 per share. **Proceeds**—For general corporate purposes, including additional personnel, office space, equipment, and the provision of funds necessary to compete for certain contracts. **Office**—2949 Long Beach Road, Oceanside, L. I., N. Y. **Underwriter** — Myron A. Lomasney & Co., New York.

● **Aid Investment & Discount, Inc. (9/14-16)**
Aug. 12 filed $1,000,000 of capital notes, 1959 issue, due Sept. 1, 1974, which will be convertible into common stock, and in addition filed 150,000 shares of common stock. **Price**—To be supplied, together with the interest rate on the notes and the underwriting terms, by amendment. **Priceeds**—For general corporate purposes, including the providing of funds for expansion. **Office**—Akron, Ohio. **Underwriter**—Paine, Webber, Jackson & Curtis, New York.

Alaska Mines & Metals Inc.
Feb. 25 filed 1,431,200 shares of common stock (par $1), of which 1,000,000 shares are to be offered publicly and 431,200 shares are to be reserved for sale to the holders of 6% debentures due 1962 issued by DeCoursey-Brewis Minerals Ltd., the company's parent (payment for the shares by such debenture holders may be made by delivery of debentures at par plus interest with premium for Canadian exchange rate). Purchasers will receive common stock purchase warrants on all shares purchased for cash or for the 6% debentures of the parent at the rate of one for each five shares purchased. **Price**—$1.25 per share. **Proceeds**—For general corporate purposes and working capital. **Office**—423 Fourth Ave., Anchorage, Alaska. **Underwriter**—To be named by amendment.

● **Albertson's, Inc. (9/14-18)**
Aug. 13 filed 300,000 shares of class B (non-voting) common stock (par $1) of which 200,000 shares will be publicly offered and 100,000 shares will be offered to company personnel. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes including the outfitting of new supermarkets. **Office**—1610 State St., Boise, Idaho. **Underwriter**—J. A. Hogle & Co., Salt Lake City and New York.

Aldens, Inc.
July 21 filed $4,550,600 of 5% convertible subordinated debentures, due Aug. 1, 1979, being offered to common stockholders of record Aug. 14, 1959 on the basis of $100 of debentures for each 16 common shares then held; rights to expire on Aug. 31; debentures convertible into common stock at $38.50 per share. **Office**—Chicago, Ill. **Price**—At par. **Proceeds**—For general corporate purposes. **Underwriter**—Lehman Brothers, New York.

Allied Colorado Enterprises Co.
July 13 filed 5,899,618 shares of class A common stock and 551,140 shares of class A-1 common stock for issuance under outstanding subscription agreements at 75 cents per share and 6,576,200 shares of class A common stock for issuance under outstanding option agreements at 25 cents per share. These securities will not be issued if the options and subscription agreements are not exercised. **Proceeds**—For working capital and surplus of subsidiaries and for general corporate purposes. **Underwriters**—Allen Investment Co., Boulder, Colo.

Allied Colorado Enterprises Co.
July 13 filed 3,000,000 class A common stock (par 25 cents). **Price**—90 cents per share. **Proceeds**—For general corporate purposes. **Office**—Boulder, Colo. **Underwriter**—Allen Investment Co., Boulder, Colo.

● **Allied Petro-Chemicals, Inc. (9/16)**
July 14 filed 100,000 shares of class A common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—To be added to company funds. **Office**—Overbrook Hills, Pa. **Underwriter**—Philadelphia Securities Co., Inc., Philadelphia, Pa.

American Beverage Corp.
July 16 filed 950,000 shares of common stock. **Proceeds**—The stock is to be exchanged for all the outstanding capital stock of a group of "Golden Age" companies. Stockholders on Aug. 10 approved the exchange offer, and voted to increase the number of outstanding shares from 250,000 to 2,000,000. **Office**—118 N. 11th St., Brooklyn, N. Y. **Underwriter**—None.

American Buyers Credit Co.
Nov. 13, 1958, filed 5,000,000 shares of common stock, of which 4,545,455 shares of this stock are to be offered for public sale at $1.75 per share. [Shares have been issued or are issuable under agreements with various policy holders in American Buyers Life Insurance Co. and American Life Assurance Co. (both of Phoenix) permitting them to purchase stock at $1.25 per share. Sales personnel have been given the right to purchase stock at $1.25 per share up to the amount of commission they receive on stock sales made by them.] **Proceeds**—For the operation of other branch offices, both in Arizona and in other states. **Office** — 2001 East Roosevelt, Phoenix, Ariz. **Underwriter**—None.

American Hospital Supply Corp.
April 20 filed 20,610 shares of common stock (par $2) to be offered in exchange for common stock of Massillon Rubber Co. on the basis of nine shares of American common for one share of Massillon common. **Office**—2020 Ridge Avenue, Evanston, Ill. **Underwriter**—None. Statement effective July 29.

● **American Investors Syndicate, Inc.**
June 25 filed 600,000 shares of common stock (par 10 cents), and 200,000 shares of 6% preferred stock (no par value, $9 stated value), to be offered in units consisting of 3 shares of common ($1 each) and 1 share of preferred ($9). **Price**—$12 per unit. **Proceeds**—For construction and related expenditures. **Office**—513 International Trade Mart, New Orleans, La. **Underwriter**—Lindsay Securities Corp., New Orleans, La. The SEC has scheduled a hearing, to begin on Sept. 2, which will determine whether a stop order will be issued suspending the offering.

American Mines, Inc.
June 29 filed 150,000 shares of common stock. **Price**—$5 per share. **Proceeds**—To assume and pay an option held by its Mexican subsidiary to purchase certain mining claims in the State of Durango, Mexico, owned by Compania Minera La Bufa, S. A., by paying to such company $50,000; to construct and place in working operation a mine, mill and accessories capable of processing 100 tons of gold ore per day estimated to cost $350,000; payment of about $15,000 of other obligations; to carry on with the balance of the proceeds an exploration program for additional gold and mineral properties both in Mexico and the United States. **Office** — Bank of the Southwest Building, Houston, Tex. **Underwriter**—None.

★ **American Mutual Fund, Inc.**
Aug. 24 filed 500,000 additional shares of capital stock. **Proceeds**—For investment. **Office**—Los Angeles, Calif.

American & St. Lawrence Seaway Land Co., Inc.
July 8 filed 500,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To pay off mortgages and for general corporate purposes. **Office** — 60 East 42nd Street, New York. **Underwriter**—A. J. Gabriel & Co., Inc., New York.

American States Insurance Co. (9/15-30)
Aug. 3 filed 108,144 shares of class A stock (par $1) limited voting, to be offered for subscription by holders of outstanding class A and class B stock at the rate of one additional share for each four shares of class A and class B stock held as of the record date. **Price**—To be supplied by amendment. **Proceeds** — To be added to the general funds of the company. **Office**—542 North Meridian Street, Indianapolis, Ind. **Underwriter**—City Securities Corp., Indianapolis, Ind.

Ampal-American Israel Corp.
July 30 filed $3,000,000 of five-year 5% sinking fund debentures, series G, due 1964, and $3,000,000 of 10-year 6% sinking fund debentures, series H, due 1969. **Price**—At 100% of principal amount. **Proceeds**—To develop and expand various enterprises in Israel. **Office**—17 E. 71st Street, New York. **Underwriter**—None. **Offering**—Expected sometime during August or September.

Apache Oil Corp.
May 25 filed 350 units of participation in the Apache Oil Program 1960 and 70,000 rights for the purchase of common stock (par $1.25). The offering is being made only to the stockholders of the company. Each subscription to a unit in Apache Oil Program 1960, will entitle the subscriber to subscribe also to 200 rights for the purchase of one share per right of the company's $1.25 par value common stock. Warrants evidencing the rights will be nontransferable prior to Aug. 16, 1960, and will expire at 2:00 p.m., (CST) on Jan. 31, 1962. Unless Apache Oil Program 1960 commences operations on or before June 30, 1960, all unexercised rights will be void as of 2:00 p.m. (CST) on that date, and their purchase price will be refunded. **Price**—$12,000 per unit. **Proceeds** — For general corporate purposes. **Office** — 523 Marquette Avenue, Minneapolis, Minn. **Underwriter**—APA, Inc., the corporation's subsidiary.

Apache Realty Corp.
Aug. 13 filed $1,500,000 of 6% subordinated debentures and 360,000 shares of common stock (par $1). **Price**—$6,200 per unit of five debentures and 1,200 shares of common stock. **Proceeds**—For the purchase and development of land to be made into a shopping center in St. Anthony, Minn., and other real estate dealings. **Office**—523 Marquette Ave., Minneapolis, Minn. **Underwriters**—The issuing company and its subsidiary, The Fund Corp. of Minneapolis.

● **Arapahoe Chemicals, Inc.**
Aug. 3 (letter of notification) 13,000 shares of common stock (no par) to be offered for subscription by stockholders at the right of one new share for each three shares held; rights to expire Sept. 2. **Price** — $20 per share. **Proceeds** — For capital investment; research and development and other working capital. **Office** — 2800 Pearl St., Boulder, Colo. **Underwriter**—None.

● **Associates Investment Co. (9/2)**
Aug. 11 filed $50,000,000 of 20-year senior debentures, due Aug 1, 1979, not to be subject to redemption for the first five years. **Office**—South Bend, Ind. **Underwriters**—Salomon Bros. & Hutzler, and Lehman Brothers, both of New York.

Australian Grazing & Pastoral Co., Ltd.
Jan. 13 filed 4,000,000 shares of common stock. **Price**—At par (56¼ cents per share). **Proceeds**—To purchase cattle; for improvements; to buy additional ranch in Queensland, Australia; and for other corporate purposes. **Office** — 1301 Avenue L, Cisco, Texas. **Underwriter** — None. Robert Kamon is President.

★ **Auto Lube, Inc.**
Aug. 13 (letter of notification) 259,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For plant construction, contingencies, etc. **Office**—8 E. Charleston Blvd., Las Vegas, Nev. **Underwriter**—None.

● **Babcock Radio Engineering, Inc.**
July 29 filed 100,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes including the reduction of bank loans, for additional working capital, and the carrying of larger inventories. **Office**—1640 Monrovia Avenue, Costa Mesa, Calif. **Underwriter**—Schwabacher & Co., San Francisco, Calif. **Offering**—Expected in September.

Bankers Preferred Life Insurance Co.
Jan. 30 (letter of notiifcation) 100,000 shares of common stock (par $1.60). **Price**—$3 per share. **Proceeds**—For expenses incidental to operation of an insurance company. **Office**—Suite 619, E. & C. Bldg., Denver, Colo. **Underwriter**—Ringsby Underwriters, Inc., Denver 2, Colo.

Basic Materials, Inc.
April 9 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—c/o Harold A. Roberts, President, Arroyo Hondo, Santa Fe, N. Mex. **Underwriter** — Hyder, Rosenthal & Co., Albuquerque, N. Mex. Letter to be amended.

● **Belco Petroleum Corp. (9/21-25)**
Aug. 14 filed $7,200,000 of 5.83% convertible subordinated debentures, due 1974, and 400,000 shares of common stock (par $1) to be offered in units, each unit consisting of $36 of debentures and two shares of common stock. **Price** — To be supplied by amendment. **Proceeds** — For general corporate purposes, including repayment of all existing debts to banks. **Office** — 630 Third Ave., New York. **Underwriters**—White, Weld & Co., and Goldman, Sachs & Co., both of New York.

★ **Bell & Howell Co.**
Aug. 12 (letter of notification) 4,800 shares of common stock (par $5) to be issued as an award to directly franchised or authorized retail or wholesalers and their salespersons. **Office**—7100 McCormick Rd., Chicago 45, Ill. **Underwriter**—None.

Berens Real Estate Investment Corp.
July 31 filed $1,200,000 of 6½% debentures, due 1969, and 80,000 shares of common stock (par $5). **Price**—$500 per unit, each unit to consist of $300 of debentures and 20 shares of common stock. **Proceeds**—For working capital. **Office**—1722 L Street N. W., Washington, D. C. **Underwriter**—Berens Securities Corp., same address.

Beverages Bottling Corp.
July 6 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For construction or purchase of additional facilities for the manufacture, warehousing and distribution of beverages. **Office**—800 St. Anns Avenue, Bronx, N. Y. **Underwriter**—Financial Management, Inc., 11 Broadway, New York, N. Y. The offering is expected any day.

Bostic Concrete Co., Inc.
June 19 (letter of notification) $250,000 of 8% convertible debentures due July 1, 1969 and 10,000 shares of class A common stock (par $1) to be offered in units of one $500 debenture and 20 shares of class A common stock. **Price**—$600 per unit. **Proceeds**—To pay obligations and for working capital. **Office** — 1205 Oil Centre Station, Lafayette, La. **Underwriter**—Syle & Co., New York, N.Y. The offering is expected any day.

★ **Bradco 1960 Associates, Inc.**
Aug. 24 filed $2,500,000 of participating interests under a Participation Agreement in Associates Oil and Gas Exploration Program. **Price**—$10,000 per unit. **Proceeds**—For the acquisition and exploration of undeveloped oil and gas properties. **Office**—Bank of the Southwest Bldg., Houston, Texas. **Underwriters** — The offering is to be made on a best efforts basis by 2338 Sales, Inc. (an affiliate of the issuing company) and certain company officers, including W. H. Hendrickson, Board Chairman.

★ **Brush Beryllium Co. (9/16)**
Aug. 20 filed $6,500,000 of convertible subordinated debentures, due 1974. **Price**—To be supplied by amendment. **Proceeds**—To retire funded debt; for expansion; and for general corporate purposes. **Office**—4301 Perkins Ave., Cleveland, Ohio. **Underwriters**—Kuhn, Loeb & Co. of New York, and McDonald & Co. of Cleveland.

Bzura Chemical Co., Inc (9/14-18)
Aug. 12 filed $2,400,000 of 6½% first mortgage bonds, due 1979 and 240,000 shares of common stock (par 25 cents), to be offered in units consisting of $500 principal amount of bonds and 50 shares of common stock. **Price**—$500 per unit. **Proceeds**—To be used for placing a new plant in operation in Fieldsboro, N. J. **Office**—Broadway and Clark Streets, Keyport, N. J. **Underwriter**—P. W. Brooks & Co., Inc., New York.

● **Cador Production Corp., Far Hills, N. J.**
Aug. 18 filed 1,500,000 shares of class A stock (par $1) and 225,000 shares of class B stock (60c par). The 225,000 shares of class B stock are not being offered for sale, but may be issued as commission in connection with the distribution of the class A stock. **Price**—At par

in exchange for "property interests." **Agent**—Dewey & Grady Inc., Far Hills, N. J. on a "best efforts" basis for the class A stock only.

California Metals Corp.
July 27 filed 2,500,000 shares of common stock. **Price**—At par (20 cents per share). **Proceeds**—For construction of a pilot plant; for measuring ore; for assaying; and for general corporate purposes. **Office**—3955 South State St., Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., Inc., Salt Lake City.

Capital Shares, Inc.
Aug. 3 filed 500,000 "Life Insurance Fund" shares. **Price**—To be supplied by amendment. **Proceeds**—For investment in the securities of companies engaged directly or indirectly in the life insurance business. **Office**—15 William Street, New York. **Underwriter**—Capital Sponsors, Inc., New York.

★ **Carrtone Laboratories of Puerto Rico, Inc.**
Aug. 17 (letter of notification) 30,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To purchase a plant, construction and installation of electrical power distribution system and for working capital. **Office**—356 Jose M. Canals St., Hato Bay, Puerto Rico. **Underwriter**—None.

● **Cary Chemicals, Inc. (9/1)**
July 28 filed $3,500,000 of subordinated debentures due Sept. 1, 1979 and 205,000 shares of common stock (par 10 cents) to be offered in units. The number of shares in each unit will be determined prior to the public offering. **Price—$500 per unit.** **Proceeds**—For general corporate purposes, including working capital. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York.

Casco Chemical Corp.
July 10 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For marketing of "Resistolox 20," (an anti-oxidant) and for general corporate purposes. **Office**—207 American Bank & Trust Bldg., Dallas, Texas. **Underwriter**—Pearson, Murphy & Co., Inc., New York. **Offering**—Expected any day.

★ **Caterpillar Tractor Co.**
Aug. 21 joined with five of its subsidiaries in the filing of 7,000 Participations in the Employees Investment Plan for eligible employees of the six companies, together with 150,000 shares of Caterpillar Tractor common stock which may be acquired pursuant thereto. **Office**—600 W. Washington St., East Peoria, Ill.

Central Corp. (9/1-4)
Aug. 3 filed 200,000 shares of common stock (par 10c). **Price**—$3 per share. **Proceeds**—For manufacturing and sales facilities and working capital, of subsidiaries; to repay loans. **Office**—1315 Dixwell Ave., Hamden, Conn. **Underwriter**—Arnold Malkan & Co., Inc., New York.

★ **Central Transformer Corp. (9/15)**
Aug. 20 filed 98,750 shares of common stock, of which 89,773 shares are to be publicly offered. **Price**—To be supplied by amendment. **Proceeds**—To retire debentures, to construct and equip a new plant in Florida, and for general corporate purposes including working capital. **Office**—2400 West Sixth St., Pine Bluff, Ark. **Underwriter**—Eppler, Guerin & Turner, Inc., Dallas, Texas.

★ **Century Properties**
Aug. 5 (letter of notification) 33,880 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of one new share for each 10 shares held. **Price**—$4 per share. **Proceeds**—To retire in part its current bank loans. **Office**—1758 La Cienga Blvd., Los Angeles, Calif. **Underwriter**—None.

★ **Certain-Teed Products Corp.**
Aug. 20 filed 75,000 shares of common stock, to be issued upon the exercise of options granted to officers and key employees of the company pursuant to its Incentive Plan for Officers and Key Employees. **Office** — 120 East Lancaster Ave., Ardmore, Pa.

China Telephone Co., South China, Maine
Aug. 7 (letter of notification) 2,000 shares of preferred stock to be offered for subscription by stockholders and the company's subscribers; unsubscribed shares to the public. **Price**—At par ($25 per share). **Proceeds**—To install a dial exchange at East Vassalboro, Maine; to construct a cable; to repay notes, etc. **Underwriter**—None.

Citizens' Acceptance Corp.
June 29 filed $600,000 of series F 6% five-year subordinated debentures, to be offered to the present holders of the company's subordinated debentures in exchange, at face value, on the maturity dates of those securities so long as there are bonds remaining unsold in this offering. No bonds will be reserved for this exchange offering. **Price**—100% of principal amount. **Proceeds**—To increase or maintain the working capital of the company but will be initially applied to the reduction of short-term notes due within one year. Part of the proceeds may also be used to retire outstanding subordinated debentures not exchanged. **Office**—Georgetown, Del. **Underwriter**—None.

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NEW ISSUE CALENDAR

August 27 (Thursday)

Lincoln Telephone & Telegraph Co.______Preferred
(Offering to stockholders—underwritten by Dean Witter & Co.) $3,000,000

Southern Pacific Co.______Equip. Trust Ctfs.
(Bids noon EDT) $6,000,000

August 28 (Friday)

Florida Water & Utilities Co.______Common
(Bell & Hough, Inc.) 86,000 shares

Great Western Life Insurance Co.______Common
(Offering to stockholders—underwritten by G. J. Mitchell Jr. Co and Purvis & Co.) 500,000 shares

I C Inc.______Common
(Purvis & Co. and Amos C. Sudler & Co.) $1,500,000

Investors Funding Corp. of New York__Debentures
(No underwriting $500,000

August 31 (Monday)

Georgia-Bonded Fibers, Inc.______Common
(Sandkuhl & Co., Inc.) $300,000

Greek Voice of America, Inc.______Common
(Karen Securities Corp.) $300,000

Infrared Industries, Inc.______Common
(Lehman Brothers) 100,000 shares

Jackson's Minit Markets, Inc.______Common
(Offering to stockholders—underwritten by Pierce, Carrison Wulbern, Inc.) 223,000 shares

Paddington Corp.______Class A Common
(Lee Higginson Corp., H. Hentz & Co. and C. E. Unterberg, Towbin Co.) 150,000 shares

Sea View Industries, Inc.______Debs. & Common
(Michael G. Kletz & Co., Inc.) $714,000

United Artists Corp.______Common
(F. Eberstadt & Co.) 100,000 shares

United States Communications, Inc.______Common
(Heft, Kahn & Infante, Inc.) $225,000

September 1 (Tuesday)

Cary Chemicals, Inc.______Debentures
(Lee Higginson Corp. and P. W. Brooks & Co., Inc.) $3,500,000

Central Corp.______Common
(Arnold Malkan & Co.) $600,000

Foto-Video Laboratories, Inc.______Common
(Arnold Malkan Co.) $300,000

Hofman Laboratories, Inc.______Common
(Myron A. Lomasney & Co.) $300,000

International Tuna Corp.______Common
(Gates, Carter & Co.) $175,000

Southern Frontier Finance Co.______Common
(No underwriting) $1,300,000

Southern Realty & Utilities Corp.______Common
(Hirsch & Co. and Lee Higginson Corp.) 300,000 shares

September 2 (Wednesday)

Associates Investment Co.______Debentures
(Salomon Bros. & Hatzler and Lehman Brothers) $50,000,000

National Sports Centers, Inc.______Debentures
General Investing Corp.) $1,000,000

New York Capital Fund of Canada, Ltd.__Common
(Carl M. Loeb, Rhoades & Co.) 1,000,000 shares

Salant & Salant, Inc.______Class A Capital
(Kidder, Peabody & Co. and Jesup & Lamont) 100,000 shares

Speedry Chemical Products Co., Inc.______Common
(S. D. Fuller & Co.) 218,333 shares

United Industries Co., Inc.______Preferred
(Dempsey-Tegeler & Co.) $350,000

Wabash RR.______Equip. Trust Ctfs.
(Bids noon EDT) $1,500,000

September 3 (Thursday)

Control Data Corp.______Common
(Offering to stockholders—underwritten by Dean Witter & Co.) 93,594 shares

September 4 (Friday)

Tex-Star Oil & Gas Corp.______Debentures
(Stroud & Co., Inc. and Auchincloss, Parker & Redpath) $1,000,000

September 8 (Tuesday)

Dynex, Inc.______Common
(Myron A. Lomasney & Co.) $600,000

Empire Financial Corp.______Common
Dempsey-Tegeler & Co.) 260,000 shares

Long Mile Rubber Co.______Debentures
(Scherck, Richter & Co.; Burnham & Co. and S. D. Lunt & Co.) $1,500,000

Lytton Financial Corp.______Common
(William R. Staats & Co.) 110,000 shares

Narda Microwave Corp.______Common
(Milton D. Blauner & Co., Inc.) 50,000 shares

New West Amulet Mines Ltd.______Common
(Willis E. Burnside & Co., Inc.) 200,000 shares

Pacific Outdoor Advertising Co.______Debentures
(Lester, Ryons & Co. and Wagenseller & Durst, Inc.) $850,000

Sottile, Inc.______Common
(Bear, Stearns & Co.) 2,000,000 shares

Sta-Rite Products, Inc.______Common
(Loewi & Co., Inc.) 118,270 shares

September 9 (Wednesday)

Chicago, Burlington & Quincy RR.__Eq. Trust Ctfs.
(Bids noon CDT) $3,150,000

Community Public Service Co.______Preferred
(Bids 11 a.m. EDT) $3,000,000

Concert Network, Inc.______Common
(R. A. Holman & Co., Inc.) $156,250

Edward Steel Corp.______Common
(Charles Plohn & Co.) $700,000

Fredonia Pickle Co., Inc.______Common
(Summit Securities, Inc.) $300,000

September 10 (Thursday)

Earle M. Jorgensen Co.______Common
(Blyth & Co., Inc.) 150,000 shares

Heritage Corp. of New York______Common
(Golkin, Bomback & Co.) $300,000

Matronics, Inc.______Common
(Vermilye Brothers) $750,000

Radio Frequency Co., Inc.______Common
(Myron A. Lomasney & Co.) $300,000

Union Electric Co.______Common
(Bids to be invited) 1,057,725 shares

York Research Corp.______Class A
(Myron A. Lomasney & Co.) $450,000

September 11 (Friday)

Acme Missiles & Construction Corp.______Common
(Myron A. Lomasney & Co.) $1,200,000

September 14 (Monday)

Aid Investment & Discount, Inc.______Notes
(Paine, Webber, Jackson & Curtis) $1,000,000

Albertson's, Inc.______Common
(J. A. Hogle & Co.) 200,000 shares

Bzura Chemical Co., Inc.______Bonds
(P. W. Brooks & Co., Inc.) $2,400,000

Bzura Chemical Co., Inc.______Common
(P. W. Brooks & Co., Inc.) 240,000 shares

Crowley's Milk Co., Inc.______Common
(Auchincloss, Parker & Redpath) 60,000 shares

Entron, Inc.______Common
(Alkow & Co., Inc.) $1,000,000

Fair Lanes, Inc.______Common
(R. S. Dickson & Co. and Alex. Brown & Sons) 120,000 shares

Florida Palm-Aire Corp.______Common
(Hardy & Co. and Goodbody & Co.) $1,780,000

General Contract Finance Corp.______Preferred
(G. H. Walker & Co.) $4,000,000

Monarch Marking System Co.______Common
(McDonald & Co.) 100,000 shares

National Cleveland Corp.______Debentures
(Merrill, Turben & Co., Inc. and Loewi & Co., Inc.) $600,000

Southern New England Telephone Co.______Common
(Offering to stockholders—no underwriting) $24,115,000

Technical Materiel Corp.______Common
(Kidder, Peabody & Co., Inc.) 80,000 shares

Waddell & Reed, Inc.______Common
(Kidder, Peabody & Co.) 80,000 shares

September 15 (Tuesday)

American States Insurance Co.______Common
(Offering to stockholders—underwritten by City Securities Corp.) 108,144 shares

Central Transformer Corp.______Common
(Eppler, Guerin & Turner, Inc.) 89,773 shares

Steak'n Shake, Inc.______Common
(Offering to stockholders—underwritten by White & Co.) $303,902.50

Transdyne Corp.______Common
(Simmons & Co.) $300,000

West Coast Telephone Co.______Common
(Blyth & Co., Inc.) 125,000 shares

West Florida Natural Gas Co.__Notes & Common
(Bell & Hough Inc.) $1,750,000

September 16 (Wednesday)

Allied Petro-Chemicals, Inc.______Common
(Philadelphia Securities Co., Inc.) $400,000

Brush Beryllium Co.______Debentures
(McDonald & Co. and Kuhn Loeb & Co.) $6,500,000

Hooker Chemical Corp.______Debentures
(Offering to stockholders—underwritten by Smith, Barney & Co.) $25,000,000

September 17 (Thursday)

Georgia Power Co.______Bonds
(Bids 11 a.m. EDT) $18,000,000

Hoerner Boxes, Inc.______Common
(Goldman, Sachs & Co.) 246,500 shares

September 21 (Monday)

Belco Petroleum Corp.______Debentures & Common
(White, Weld & Co. and Goldman, Sachs & Co.) $7,200,000

Buckingham Transportation Inc.______Common
(Cruttenden, Podesta & Co.) 250,000 shares

New England Telephone & Telegraph Co.__Debens.
(Bids to be invited) $45,000,000

September 22 (Tuesday)

Heublein, Inc.______Common
(Glore, Forgan & Co.) 425,000 shares

September 29 (Tuesday)

Southern California Gas Co.______Bonds
(Bids 8:30 a.m. PDT) $30,000,000

October 1 (Thursday)

Northern Natural Gas Co.______Preferred
(Blyth & Co., Inc.) $20,000,000

Northern Natural Gas Co.______Debentures
(Blyth & Co., Inc.) $20,000,000

October 8 (Thursday)

Columbia Gas System Inc.______Debentures
(Bids to be invited) $25,000,000

Manchester Bank of St. Louis (Mo.)______Common
(Offering to stockholders—underwritten by G. H. Walker & Co.) 45,000 shares

October 14 (Wednesday)

Philadelphia Electric Co.______Bonds
(Bids to be invited) $50,000,000

October 20 (Tuesday)

Southern Bell Telephone & Telegraph Co.___Debs.
(Bids to be invited) $70,000,000

October 21 (Wednesday)

Western Massachusetts Electric Cos.______Bonds
(Bids 11 a.m. EDT) $8,000,000

October 22 (Thursday)

American Electric Power Co.______Common
(Bids to be invited) 1,200,000 shares

October 27 (Tuesday)

Florida Power & Light Co.______Bonds
(Bids to be invited) $20,000,000

October 28 (Wednesday)

Puget Sound Power & Light Co.______Bonds
(Bids to be invited) $20,000,000

November 17 (Tuesday)

Gulf States Utilities Co.______Bonds
(Bids 11 a.m. EST) $16,000,000

November 24 (Tuesday)

American Telephone & Telegraph Co.______Debens.
(Bids to be received) $250,000,000

December 1 (Tuesday)

Consolidated Edison Co. of New York, Inc.__Bonds
(Bids to be invited) $50,000,000

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City Discount & Loan Co.
July 30 (letter of notification) 120,000 shares of common stock (no par). **Price** — $2.50 per share. **Proceeds** — For working capital. **Office**—1005 Northeast Broadway, Portland, Ore. **Underwriter**—R. G. Williams & Co., Inc., New York, N. Y. **Offering**—Expected during the latter part of August.

● **Cohu Electronics, Inc.**
July 20 filed 353,535 shares of common stock (par $1) being offered to common stockholders on a basis of one share for every three shares held as of Aug. 21, 1959; rights to expire on Sept. 9, 1959. **Price**—$5.25 per share. **Proceeds**—To reduce outstanding indebtedness, for expansion, and for working capital. **Office**—San Diego, Calif. **Underwriters**—Hayden, Stone & Co., and Winslow, Cohu and Stetson, Inc., both of New York.

★ **Collier Acres, Inc., Miami Beach, Fla.**
Aug. 17 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase properties; advertising and for working capital. **Underwriter**—Williams & Associates, Newark, N. J.

Colorado Water & Power Co.
Feb. 25 (letter of notification) $220,000 of 6% unsecured debentures due April 1, 1964 and 1,100 shares of common stock (par $1) to be offered in units of $200 of debentures and one share of stock. **Price** — $205 per unit. **Proceeds**—For working capital. **Office**—Suite 421, 901 Sherman Street, Denver, Colo.

● **Columbian Financial Development Co.**
Aug. 14 filed $1,000,000 of Plans for Investment in Shares in American Industry, of which $500,000 was for Single Payment Investment Plans and $500,000 for Systematic Investment Plans and Systematic Investment Plans With Insurance. **Office**—15 East 40th Street, New York. **Underwriter** — None. **Offering** — Expected some time in October.

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. Price—To be supplied by amendment. Proceeds — To construct refinery. Underwriter—Lehman Brothers, New York. Offering—Indefinite.

Commercial Investors Corp.
Nov. 28 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For investment. **Office**—450 So. Main St., Salt Lake City, Utah. **Underwriter**—Earl J. Knudson & Co., Salt Lake City, Utah. **Offering**—Expected in August.

Community Public Service Co. (9/9)
Aug. 7 filed 30,000 shares of cumulative preferred stock, series A (par $100). **Proceeds** — To repay outstanding bank loans, which were incurred for extensions and improvements to property made in 1959 and for construction in progress. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co. (jointly); Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp. Bids—Will be received up to 11 a.m. (EDT) on Sept. 9, 1959 at 90 Broad Street, 19th Floor, New York, N. Y.

● **Concert Network, Inc. (9/9)**
Aug. 10 (letter of notification) 125,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To discharge outstanding debts and for working capital. **Office**—171 Newbury St., Boston 16, Mass. **Underwriter**—R. A. Holman & Co., Inc., New York, N. Y.

★ **Construction Products Corp., Miami, Fla. (9/15)**
Aug. 25 filed 250,000 shares of class A common stock (par $1), of which 200,000 shares will be sold for the account of certain selling stockholders and 50,000 shares will be sold for the company's account. **Price**—$3 per share. **Proceeds**—For working capital. **Underwriter**—Clayton Securities Corp., Boston, Mass.

● **Control Data Corp. (9/3-22)**
Aug. 17 filed 99,594 shares of common stock (par 50 cents) to be offered to common stockholders of record Sept. 3, 1959, on the basis of one new share for each eight shares then held, with an oversubscription privilege; rights to expire on or about Sept. 22. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including working capital. **Office**—501 Park Ave., Minneapolis, Minn. **Underwriter**—Dean Witter & Co., New York.

Cree Mining Corp. Ltd.
April 17 filed 260,000 shares of common stock. **Price**—80 cents per share. **Proceeds**—For exploation progam. **Office**—2100 Scarth St., Regina, Saskatchewan, Canada. **Underwriter** — Cumberland Securities Ltd., also of Regina.

Crescent Petroleum Corp., Tulsa, Okla.
May 26 filed 48,460 shares of 5% convertible pfd. stock ($25 par) and 12,559 shares of common ($1 par), 34,460 shares of the preferred and 9,059 shares of common are issuable upon the exercise of stock options granted when the assets of Norbute Corp. were acquired on Aug. 6, 1958. **Underwriter**—None.

● **Crowley's Milk Co., Inc. (9/14-18)**
March 26 filed 60,000 outstanding shares of common stock (par $20). **Price**— To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—145 Conklin Ave., Binghamton, N. Y. **Underwriter** — Auchincloss, Parker & Redpath, New York.

Crusader Life Insurance Co., Inc.
June 3 (letter of notification) 1,000 shares of common stock (par $50) to be offered for subscription by stockholders of record April 30, 1959, on the basis of one new share for each two shares held. Rights expire Aug. 25, 1959. Unsubscribed shares will be offered to the public. **Price**—$150 per share. **Proceeds**—For working capital. **Office**—640 Minnesota Ave., Kansas City, Kan. **Underwriter**—None.

Crusader Oil & Gas Corp., Pass Christian, Miss.
May 26 filed 1,500,000 shares of common stock, of which 641,613 shares will be offered on a one-for-one basis to stockholders of record May 15, 1959. The remaining 858,387 shares will be offered publicly by the underwriter on a "best efforts" basis. **Price**—To be supplied by amendment. **Proceeds**—For repayment of notes and for working capital. **Underwriter** — To be supplied by amendment.

Denab Laboratories, Inc.
July 31 filed 50,000 shares of common stock (par $2.50). **Price**—$10 per share. **Proceeds**—For general corporate purposes, including salaries, cars, promotion, inventory, the establishment of branch offices, expenses incidental to obtaining permission to do business in other states, and the establishment of a contingency reserve. **Office**—1420 East 18th Avenue, Denver, Colo. **Underwriter**—None.

Desert Inn Associates
Aug. 7 filed $3,025,000 of participations in partnership interests in associates. **Price**—$25,000 per unit. **Proceeds**—$2,875,000 to supply the cash necessary to the purchase of Wilbur Clark's Desert Inn, Las Vegas, Nev., which will leave the $7,000,000 balance to be covered by mortgages; $200,000 for disbursements in connection with the transaction. **Office**—60 East 42nd St., New York.

Development Corp. of America
June 29 Registered issue. (See Equity General Corp. below.)

● **Dilbert's Leasing & Development Corp.**
June 11 filed $4,400,000 of 20-year 5½% convertible debentures, due July 15, 1979 and 1,056,000 shares of common stock (par one cent) to be offered in units consisting of $50 principal amount of debentures and 12 shares of common stock. **Price**—$51.20 per unit. **Proceeds**—For repayment of notes; to develop and construct shopping centers and a super-market under existing purchase contracts and for working capital. **Name Changed** — Company formerly known as Dilbert's Properties, Inc. **Office**—93-02 151st Street, Jamaica, N. Y. **Underwriter**—S. D. Fuller & Co., New York. **Offering**—Expected in September.

● **Dixie Natural Gas Corp.**
July 30 (letter of notification) 277,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For expenses for developing leases in West Virginia. **Office**—115 Broadway, Suite 1400, New York 6, N. Y. **Underwriter**—Michael Fieldman, 25 Beaver St., New York.

★ **Dixon Chemical & Research, Inc.**
Aug. 25 filed 10,000 shares of 6% cumulative convertible preferred stock ($100 par). **Price** — To be supplied by amendment. **Proceeds** — For general corporate purposes. **Office**—1260 Broad St., Bloomfield, N. J. **Underwriters**—Hardy & Co. and P. W. Brooks & Co., Inc., both of New York. **Offering**—Expected sometime in September.

Dooley Aircraft Corp.
Aug. 14 filed 506,250 shares of common stock (par one cent), of which 375,000 shares are to be publicly offered. **Price**—$2 per share. **Proceeds**—To repay loans; to pay the $80,000 balance due on the company's purchase of the complete rights to the MAC-145 aircraft; and for working capital, including expenses for advertising. **Office**—105 West Adams St., Chicago, Ill. **Underwriter**—Mallory Securities, Inc., New York.

★ **Drake Associates**
Aug. 20 filed $5,905,000 of limited partnership interests. **Price**—$10,000 for each of 590½ units. **Proceeds**—To buy the Hotel Drake, located at 56th St. and Park Ave., New York, from Webb & Knapp, Inc. **Office**—60 East 42nd St., New York. **Agents**—Domax Securities Corp., and Peter I. Feinberg Securities Corp., both of New York. **Offering**—Expected sometime prior to Oct. 1.

Drexelbrook Associates
May 22 filed $2,000,000 of partnership interests, to be offered in units. **Price**—$10,000 per unit. **Proceeds**—To be used for various acquisitions. **Office** — Broad & Chestnut Streets, Philadelphia, Pa. **Underwriter**—None.

● **Dynex, Inc. (9/8-11)**
Aug. 6 filed 120,000 shares of common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—For general corporate purposes, including product research, the purchase of new equipment, and expansion. **Office** — 123 Eileen Way, Syosset, L. I., N. Y. **Underwriter**—Myron A. Lomasney & Co., New York.

● **Edward Steel Corp., Miami, Fla. (9/9)**
July 8 filed 140,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—To repay loans, to acquire property and equipment, and for working capital. **Underwriter**—Charles Plohn & Co., New York.

★ **Electro-Sonic Laboratories, Inc.**
Aug. 14 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To retire outstanding bank loan; to increase inventories; for sales and promotional activities; to improve production facilities and to acquire new and improved tools and machinery; for development and research and for working capital. **Office** — 35—54 Thirty-sixth St., Long Island City, N. Y. **Underwriter**—L. D. Sherman & Co., New York, N. Y.

Electronic Data Processing Center, Inc.
June 29 (letter of notification) 17,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To pay an eight-year lease of electronic machines, installation charges and working capital. **Underwriters** — Zilka, Smither & Co., Inc and Camp & Co., both of Portland, Oregon. **Offering**—Expected any day.

● **Empire Financial Corp. (9/8)**
Aug. 6 filed 250,000 shares of common stock, of which 25,000 shares will be offered for the account of the issuing company, and 225,000 shares for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—13457 Van Nuys Blvd., Pacoima, Calif. **Underwrtier**—Dempsey-Tegeler & Co., St. Louis, Mo.

● **Entron, Inc. (9/14-18)**
July 13 filed 200,000 shares of common stock. **Price**—$5 per share. **Proceeds**—For purchase of machinery and equipment and for interim financing of coaxial cable television transmission systems. **Office**—4902 Lawrence St., Bladensburg, Md. **Underwriter**—Alkow & Co., Inc., New York.

Equity Annuity Life Insurance Co.
April 21 filed $1,000,000 of Variable Annuity Policies. **Price**—No less than $120 a year for annual premium contracts and no less than $1,500 for single premium contracts. **Proceeds**—For investment, etc. **Office**—2480 16th Street, N. W., Washington, D. C. **Underwriter**—None.

Equity General Corp.
June 29 filed together with Development Corp. of America, registration statements seeking registration of securities, as follows: Equity General, 500,000 shares of common stock and 149,478 shares of preferred stock; and Development Corp., 500,000 shares of common stock. The Equity Corp. is the owner of 5,343,220 shares of Equity General common stock and proposes to offer 500,000 of such shares to the holders of Equity common in exchange therefor, on a one-for-one basis. Equity General is the owner of 2,399,504 shares of Development Corp. common and proposes to offer 500,000 of such shares to the holders of Equity General common in exchange therefor, on a one-for-one basis. The Board of Directors of Equity General has authorized the issuance of a maximum of 149,478 shares of Equity General preferred stock in exchange for shares of preferred stock of Development Corp., on the basis of one share of Equity General preferred for two shares of Development Corp. preferred. **Office**—103 Park Ave., New York City.

ESA Mutual Fund, Inc.
June 29 filed 2,000,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Investment Adviser**—Yates, Heitner & Woods, St. Louis, Mo. **Underwriter**—ESA Distributors, Inc., Washington, D. C. **Office**—1028 Connecticut Avenue, N. W., Washington, D. C.

● **Fair Lanes, Inc., Baltimore, Md. (9/14-18)**
Aug. 18 filed 120,000 shares of class A common stock. **Price**—To be supplied by amendment. **Proceeds**—For working capital and other general corporate purposes. **Underwriters** — R. S. Dickson & Co., Charlotte, N. C., and Alex. Brown & Sons, Baltimore, Md.

● **Faradyne Electronics Corp., Newark, N. J.**
June 23 filed 220,000 shares of common stock (par five cents). **Price**—$6 per share. **Proceeds**—To be used for purchase and construction of machinery and equipment. **Underwriters**—Charles Plohn & Co. and Netherlands Securities Co., Inc., both of New York. Statement withdrawn on July 27.

Federated Investors, Inc.
July 16 (letter of notification) 42,000 shares of class B common stock (par value 5c) to be sold for the account of the issuing company, and 21,000 shares of the same stock to be sold for the account of Federated Plans, Inc. **Price**—$4.75 per share. **Proceeds**—For advertising, training, printing, and working capital. **Office**—719 Liberty Avenue, Pittsburgh, Pa. **Underwriter**—Hecker & Co., Philadelphia, Pa. **Offering**—Expected in early September.

Fidelity Investment Corp., Phoenix, Ariz.
June 29 filed 1,799,186 shares of class A common stock, of which 1,700,000 shares are to be offered publicly, and the remaining 99,186 shares have been subscribed for in consideration for services rendered in organizing the company as an incentive to management. The company has agreed to issue to the organizers 200,000 shares of class B common stock; and 100,000 class B shares have been set aside for issuance to keep personnel other than the organizers. **Price**—To public, $3 per share. **Proceeds**—To be applied to pay interest due on properties and to purchase new properties and for working capital. **Underwriter**—None.

Financial Industrial Income Fund, Inc.
July 22 filed 1,000,000 shares of common capital stock. **Price**—At market. **Proceeds**—For investment. **Office**—950 Broadway, Denver, Colo. **General Distributor**—FIF Management Corp., Denver, Colo.

First Northern-Olive Investment Co.
Aug 17 filed 20 partnership interests in the partnership. Similar filings were made on behalf of other Northern-Olive companies, numbered "second" through "eighth." **Price**—$10,084 to $10,698 per unit. **Proceeds**—To purchase land in Arizona. **Office**—1802 North Central Ave., Phoenix, Ariz. **Underwriter**—O'Malley Securities Co., Phoenix.

★ **First Philadelphia Corp.**
Aug. 21 (letter of notification) 100,000 shares of class A common stock (par 10 cents). **Price**—$3 per share (gross 30 cents per share to brokers selling 2,500 shares or less, and 45 cents per share to those brokers selling more than 2,500 shares). **Proceeds**—For working capital; general corporate purposes and to develop dealer relations. **Business** — A broker-dealer firm formed to underwrite and distribute new security issues. **Office**—40 Exchange Place, New York 5, N. Y. **Underwriter**—First Philadelphia Corp., New York, N. Y. **Offering**—Expected sometime in September.

• Florida Palm-Aire Corp. (9/14-18)
Aug. 12 filed 1,010,000 shares of common stock (par $1) of which 445,000 shares are to be offered to the public. **Price**—$4 per share. **Proceeds**—For further development of company. **Office**—Pompano Beach, Fla. **Underwriters**—Hardy & Co. and Goodbody & Co., both of New York.

Florida Water & Utilities Co., Miami, Fla. (8/28)
July 8 filed 86,000 shares of common stock (par $1), of which 65,000 shares are to be offered for the account of the company and 21,000 shares for the account of two selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To be used to reduce indebtedness and increase working capital. **Underwriter**—Beil & Hough, Inc., St. Petersburg, Fla.

Fortuna Corp.
July 21 filed 1,000,000 shares of common stock. **Price**—$1.50 per share. **Proceeds**—To complete race plant and for general corporate purposes. **Office** — Albuquerque, N. M. **Underwriter**—Minor, Mee & Co., Albuquerque, N. M.

Foto-Video Laboratories, Inc. (9/1-4)
July 15 filed 150,000 shares of class B common stock (par 10 cents). **Price** — $2 per share. **Proceeds** — For general corporate purposes, including the repaying of bank loans, the purchase of new equipment, and for working capital. **Office** — 36 Commerce Road, Cedar Grove, N. J. **Underwriter** — Arnold Malkan & Co., New York.

Foundation Balanced Fund, Inc.
June 18 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—418 Union St., Nashville, Tenn. **Investment Adviser**—J. C. Bradford & Co., Nashville, Tenn. **Distributor**—Capital Planning Services, Inc.

Foundation Stock Fund, Inc.
June 18 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—418 Union St., Nashville, Tenn. **Investment Adviser**— J. C. Bradford & Co., Nashville, Tenn. **Distributor**—Capital Planning Services, Inc.

Fredonia Pickle Co., Inc. (9/9)
July 29 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For production, equipment, inventory and working capital. **Office**—Cushing & Union Streets, Fredonia, N. Y. **Underwriter**—Summit Securities, Inc., 130 William Street, New York, N. Y.

★ Fyr-Fyter Co.
Aug. 12 (letter of notification) 3,300 shares of 6% cumulative preferred stock. **Price**—At par ($30 per share). **Proceeds**—To go to selling stockholders. **Office**—2 West 46th St., New York 36, N. Y. **Underwriter**—None.

• Gabriel Co.
July 8 filed $2,500,000 of subordinated sinking fund debentures, due June 30, 1974, with warrants for the purchase of 20 common shares for each $1,000 of debentures. **Price**—100% of principal amount of the debentures. **Interest Rate**—To be determined by amendment. **Proceeds**—For capital investment. **Office**—1148 Euclid Avenue, Cleveland, Ohio. **Underwriters**—Prescott, Shepard & Co., Inc., Cleveland, and Carl M. Loeb, Rhoades & Co., New York. **Offering**—Expected this week.

★ General Contract Finance Corp. (9/14-18)
Aug. 24 filed 200,000 shares of convertible preferred stock, series A, ($20 par). **Price**—To be supplied by amendment. **Proceeds**—To aid in the expansion of the company's loan and finance company subsidiaries. **Office**—901 Washington Ave., St. Louis, Mo. **Underwriter**—G. H. Walker & Co., St. Louis, Mo. and New York, N. Y.

General Merchandising Corp., Memphis, Tenn.
Feb. 18 filed 250,000 shares of class "A" common stock (par one cent). **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — Union Securities Investment Co., Memphis, Tenn. Statement effective April 24.

General Underwriters Inc.
April 6 (letter of notification) 225,000 shares of common capital stock (par 25 cents). Of the total, 195,000 shares are to be offered for the account of the company and 30,000 shares for a selling stockholder. **Price**—$1 per share. **Proceeds**—For furniture inventory and improved merchandising methods, to finance the real estate department and insurance policy loans. **Office**—211-215 Pine St., Pine Bluff, Ark. **Underwriter**—Lovan Securities Co., Inc., Pine Bluff, Ark. **Offering**—Expected any day.

Genesco, Inc.
July 29 filed 535,000 shares of common stock (par $1), to be offered to the common shareholders of The Formfit Co., Chicago, Ill., on the basis of 0.891⅔ shares of Genesco common stock for each share of Formfit common stock. [Genesco has agreed to exchange 454,318 shares of its common stock for an aggregate of 509,516 shares or approximately 84.9% of the common stock of Formfit.] **Office**—111 Seventh Avenue, North, Nashville, Tenn. **Underwriter**—None.

• Georgia-Bonded Fibers, Inc. (8/31-9/3)
July 10 (letter of notification) 100,000 shares of class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—15 Nuttman St., Newark, N. J. and Buena Vista, Va. **Underwriter**—Sandkuhl & Company, Inc., Raymond Commerce Building, Newark, N. J.

★ Georgia Power Co. (9/17)
Aug. 21 filed $18,000,000 of first mortgage bonds due Sept. 1, 1989. **Proceeds**—Together with other funds, will be used for the construction or acquisition of permanent improvements, extensions and additions to the company's utility plant. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Lehman Brothers; The First Boston Corp.; Morgan Stanley & Co.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EDT) on Sept. 17 at the office of Southern Services, Inc., Room 1600, 260 Park Ave., New York 17, N. Y.

• Gold Medal Packing Corp.
June 18 filed 572,500 shares of common stock (par one cent), and 50,000 common stock purchase warrants. Of the shares 400,000 will be sold for the account of the company; 110,000 by certain stockholders; 12,500 for the underwriter; and the remaining 50,000 shares are purchasable upon exercise of the warrants. **Price**—$1.25 per share. **Proceeds**—For repayment of debt; purchase of equipment and facilities and other general corporate purposes. **Office**—614 Broad St., Utica, N. Y. **Underwriter**—Mortimer B. Burnside & Co., New York. **Name Change**—Formerly Eastern Packing Corp. **Offering**—Expected in September.

Government Employees Variable Annuity Life Insurance Co.
Nov. 13 filed 2,500,000 shares of common stock (par $1) to be offered by company viz: (1) to holders of common stock (par $4) of Government Employees Insurance Co., on the basis of one warrant per share of stock held (1,334,570 shares are now outstanding); (2) to holders of common stock (par $1.50) of Government Employees Life Insurance Co., on the basis of 1½ warrants per share of stock held (216,429 shares are now outstanding); and (3) to holders of common stock (par $5) of Government Employees Corp., on the basis of ½ warrant per share of stock held (as of Dec. 31, 1958 there were 143,703 shares of stock outstanding and $589,640 of 5% convertible capital debentures due 1967, convertible into shares of common at $28.0374 per share. If all these debentures were converted into common stock prior to the record date, a total of 164,733 common shares would be outstanding. **Price**—$3 per share. **Proceeds**—For capital and surplus. **Office**—Government Employees Insurance Bldg., Washington, D. C. **Underwriters** — Johnston, Lemon & Co., Washington, D. C.; Eastman Dillon, Union Securities & Co., New York; and Abacus Fund, Boston, Mass.

• Great American Publications, Inc.
Aug. 11 filed 260,000 shares of common stock (par 10 cents) of which 195,000 shares are to be publicly offered on a best effects basis. **Price**—At market. **Proceeds** — For working capital. **Office** — New York. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York. **Offering**—Expected probably in September.

Great Western Life Insurance Co. (8/28)
June 29 filed 500,000 shares of common stock and options to purchase 200,000 additional shares of outstanding stock, to be offered in units, each consisting of five shares of common stock and an option to purchase two additional shares, the units to be offered for subscription by holders of the 1,500,000 outstanding common shares at the rate of one unit for each 15 shares held on or about Aug. 28, 1959; rights to expire on or about Sept. 28, 1959. The options evidence the right to purchase the 200,000 outstanding shares owned by Great Western Building & Loan Corp. **Price**—To be supplied by amendment. **Proceeds**—For loan to the subsidiary (Great Western Building & Loan Corp.); and the balance will be used to increase capital and surplus. **Office**—101-111 N. W. Second St., Oklahoma City, Okla. **Underwriters**—G. J. Mitchell, Jr. Co., Washington, D. C.; and Purvis & Co., Denver, Colo.

• Greek Voice of America, Inc. (8/31-9/3)
July 9 (letter of notification) 300,000 shares of class B capital stock (par one cent). **Price**—$1 per share. **Proceeds**—For production and publicity of Greek language radio and television programs and manufacture; distribution and promotion of Greek language records. **Office** — 401 Broadway, New York, N. Y. **Underwriter** — Karen Securities Corp., 95 Broad Street, New York, N. Y. Statement to be amended.

★ Griffith & Co., Inc., Fayetteville, Ark.
Aug. 17 (letter of notification) 1,000 shares of common stock (par $1) and 4,000 shares of 6% cumulative preferred stock (par $5). **Price**—Of common, $2 per share; of preferred, $5.75 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ Guarantee Mortgage, Inc.
Aug. 14 (letter of notification) $100,000 of 10-year 6% sinking fund debentures (in denominations of $1,000). Each debenture may be purchased with 100 warrants to buy one share of class A common stock (par $10). The right to purchase class A common stock by way of warrants will terminate Dec. 31, 1969. **Price**—90% without warrants. **Proceeds**—For investment purposes. **Office**—725 Failing Bldg., Portland 4, Ore. **Underwriter**—None.

★ Guerdon Industries, Inc.
Aug. 21 filed 400,000 shares of class A common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank indebtedness by $3,500,000, and to pay off $2,500,000 notes. **Office**—3782 South Van Dyke Road, Marlett, Mich. **Underwriter**—Blair & Co., Inc., New York. **Offering**—Expected sometime in September.

Haag Drug Co., Inc., Indianapolis, Ind.
July 27 (letter of notification) 16,650 shares of common stock (par $1). **Price**—Not to exceed an aggregate of $300,000. **Proceeds**—For working capital. **Underwriter**—City Securities Corp., Indianapolis, Ind.

★ Harmon Glass Co., Inc.
Aug. 17 (letter of notification) 35,000 shares of common stock (par $1). **Price**—$6.40 per share. **Proceeds**—To pay off short-term indebtedness; working capital; equipment and stock. **Office**—1410 Harmon Place, Minneapolis 3, Minn. **Underwriter**—None.

Heliogen Products, Inc.
Oct. 22, 1958 (letter of notification) 28,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For payment of past due accounts and loans and general working capital. **Office**—35-10 Astoria Blvd., L. I. C. 3, N. Y. **Underwriter**—Albion Securities Co., 11 Broadway, New York 4, N. Y. **Offering**—Expected in September.

Hemisphere Gas & Oil Corp.
April 27 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development of oil and gas properties. **Office**—702 American Bank Building, Portland 5, Ore. **Underwriter**—D. Earle Hensley Co., Inc., 4444 California Avenue, Seattle, Wash.

Heritage Corp. of New York (9/10)
Aug. 10 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—12 State St., Albany, N. Y. **Underwriter**—Golkin, Bomback & Co., 25 Broad St., New York 4, N. Y.

★ Heublein, Inc., Hartford, Conn. (9/22)
Aug. 21 filed 425,000 shares of common stock (par $5), of which 300,000 shares are to be sold for the account of the company, and 125,000 shares for the account of certain selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—For general corporate purposes, including the reduction of short-term borrowings, the financing of additional inventories and accounts receivable, and the general expansion of the firm's business. **Underwriter**—Glore, Forgan & Co., New York.

Hickerson Bros. Truck Co., Inc.
March 11 (letter of notification) 285,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay existing liabilities; for additional equipment; and for working capital. **Office**—East Tenth Street, P. O. Box 68, Great Bend, Kan. **Underwriter**—Birkenmayer & Co., Denver, Colo. **Offering**—Expected sometime in August.

Highway Trailer Industries, Inc.
June 9 filed 1,110,052 shares of common stock (par 25 cents) being offered to common stockholders of record Aug. 12, 1959, on the basis of one new share of common stock for each two shares of common then held (with an oversubscription privilege); rights will expire at 3:30 p.m. (EDST) on Aug. 28. **Price**—$4 per share. **Proceeds**—To be used for new equipment and plant improvement; for inventory and production requirements of the Hazelton, Pa., plant and increased production at the Edgerton, Wis. plant; to discharge a short-term bank loan; and the balance will be used for general corporate purposes. **Agents**—Van Alstyne, Noel & Co. and Allen & Co., both of New York.

• Hoerner Boxes, Inc. (9/17)
Aug. 19 filed 246,500 shares of common stock, of which 199,000 shares will be publicly offered. **Price**—To be supplied by amendment. **Proceeds**—To finance an equity investment, and to finance a loan to Waldorf-Hoerner Paper Products Co., which will be 50% owned by the issuing company. **Office**—Keokuk, Iowa. **Underwriters**—Goldman, Sachs & Co., New York.

• Hofman Laboratories, Inc. (9/1-2)
June 12 (letter of notification) 50,000 shares of common stock (par 25 cents). **Price**—$6 per share. **Proceeds**—To retire a loan from Hillside National Bank and for general corporate purposes. **Office** — 5 Evans Terminal, Hillside, N. J. **Underwriter**—Myron A. Lomasney & Co., New York, N. Y.

★ Hooker Chemical Corp. (9/16)
Aug. 21 filed $25,000,000 of convertible subordinated debentures, due Sept. 15, 1984, to be offered for subscription by common stockholders of record Sept. 15, 1959, on the basis of $100 principal amount of debentures for each 30 shares of common stock held; rights will expire Sept. 30, 1959. **Price**—To be supplied by amendment. **Proceeds** — For capital expenditures. **Office**—Niagara Falls, N. Y. **Underwriter**—Smith, Barney & Co., New York.

★ Horace Mann Fund, Inc.
Aug. 24 filed 300,000 additional shares of capital stock. **Proceeds**—For investment. **Office**—Springfield, Ill.

Hotel Corp. of Israel
July 13 filed 39,000 shares of common stock (par $5) and $1,560,000 of 6% subordinated debentures, due Aug. 1, 1974. **Price**—$1,500 per unit, consisting of 30 common shares at $10 per share and $1,200 of debentures at par. **Proceeds**—To purchase, complete, and furnish various properties and for general corporate purposes. **Office**—11 South La Salle St., Chicago, Ill. **Underwriter**—None.

I C Inc. (8/28)
June 29 filed 600,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To further the corporate purposes and in the preparation of the concentrate and enfranchising of bottlers, the local and national promotion and advertising of its beverages, and where necessary to make loans to such bottlers, etc. **Office**—704 Equitable Bldg., Denver, Colo. **Underwriters**— Purvis & Co. and Amos C. Sudler & Co., both of Denver, Colo.

Ideal Cement Co.
July 31 filed 675,000 shares of capital stock. These shares are to be exchanged for all (but not less than 80%) of the common stock (par $1) of the Volunteer Portland Cement Co., in the ratio of 3⅜ shares of Ideal stock for each share of Volunteer stock. **Office** — 500 Denver National Bank Building, 821 17th Street, Denver, Colorado.

Independent Telephone Corp.
June 29 filed 13,080 shares of 5% cumulative convertible preferred stock, series A ($10 par), and 806,793 shares of common stock, together with warrants for the purchase of 50,000 common shares. According to the prospectus, 800,000 common shares are being offered to

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nine payees of non-assignable convertible notes outstanding in the amount of $500,000 for conversion of such notes into common shares at a conversion price of $6.25 per share. The 13,080 preferred shares and 8,175 common shares are being offered in exchange for the outstanding 327 shares of common stock of Farmers Union Telephone Co., a New Jersey corporation, on the basis of 40 shares of preferred and 25 shares of common for each share of common capital stock of Farmers Union until Aug. 31, 1959. The issuing company is also offering 96,604 common shares to holders of its outstanding stock of record June 30, 1959, for subscription at $6.25 per share on the basis of one new share for each two shares then held; rights to expire Aug. 31. **Proceeds** — For working capital. **Office** — 25 South St., Dryden, N. Y. **Underwriter**—None.

Industrial Leasing Corp.
June 1 (letter of notification) $200,000 subordinated convertible 6% debentures ($1,000 denomination) and $50,000 subordinated convertible 6% debentures ($500 denomination). **Price**—100% of principal amount. **Proceeds**—For working capital. **Office**—522 S. W. 5th Avenue, Portland 4, Ore. **Underwriter**—May & Co., Portland, Ore.

★ **Industrial Vinyls, Inc.**
Aug. 20 filed 200,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For the purchase of machinery and equipment to expand the company's facilities for handling thermoplastics, to reduce current bank borrowings, and for general corporate purposes including the addition of working capital. **Office**—5511 N. W. 37th Ave., Miami, Fla. **Underwriters** — The Robinson-Humphrey Co., Inc., Atlanta, Ga., and Clisby & Co., Tulsa, Okla.

● **Infrared Industries, Inc. (8/31-9/1)**
July 29 filed 100,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Office**—Waltham, Mass. **Underwriter**—Lehman Brothers, New York.

International Bank, Washington, D. C.
Dec. 29 filed $5,000,000 of notes (series B, $500,000, two-year, 3% per unit; series C, $1,000,000, four-year 4% per unit; and series D, $3,500,000, 6-year, 5% per unit). Price —100% of principal amount. Proceeds — For working capital. Underwriter—Johnston, Lemon & Co., Washington, D. C. Offering—Indefinitely postponed.

● **International Tuna Corp. (9/1-4)**
April 3 (letter of notification) 175,000 shares of class A common stock (par 50 cents). Price — $1 per share Proceeds—For equipment and working capital. Office —Pascagoula, Miss. Underwriter—Gates, Carter & Co. Gulfport, Miss.

Investment Trust for the Federal Bar Bldg.
Aug. 14 filed 500 Beneficial Trust Certificates in the Trust. **Price**—$2,600 per certificate. **Proceeds**—To supply the cash necessary to purchase the land at 1809-15 H St., N. W., Washington, D. C., and construct an office building thereon. **Office**—Washington, D. C. **Underwriters**—Hodgdon & Co. and Investors Service, Inc., both of Washington, D. C., and Swesnick & Blum Securities Corp.

● **Investors Funding Corp. of New York (8/28)**
Feb. 17 filed $500,000 of 10% subordinated debentures due July 31, 1964, to be offered in units of $1,000. Price —At 100% of principal amount. Proceeds—For investment. Office—511 Fifth Ave., New York, N. Y. Underwriter—None.

Irando Oil & Exploration, Ltd.
April 24 filed 225,000 shares of common stock. Price—90 cents per share. Proceeds—To defray the costs of exploration and development of properties and for the acquisition of other properties; also for other corporate purposes. Office—1950 Broad St., Regina, Sask., Can. **Underwriter** — Laird & Rumball, Regina, Sask., Can.

Jackson's Minit Markets, Inc. (8/31)
July 30 filed 223,000 shares of common stock (par $1), to be offered to stockholders of record as of Aug. 28, 1959, on the basis of one new share for each two shares then held; rights to expire on Sept. 15. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the equipping and stocking and possibly the construction of new stores. **Office** — 5165 Beach Boulevard, Jacksonville, Fla. **Underwriter** — Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla.

Jorgensen (Earle M.) Co. (9/10)
Aug. 10 filed 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To expand existing warehouse facilities and to construct new warehouse facilities, and the balance to be added to working capital. **Office**—10650 South Alameda St., Los Angeles, Calif. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

★ **Kittanning Telephone Co., Kittanning, Pa.**
Aug. 24 filed 14,000 shares of common stock, to be offered by subscription to holders of outstanding common stock on the basis of approximately 0.212 new shares for each share held. **Price**—$25 per share. **Proceeds**—In part to repay a bank loan in the amount of $450,000 representing funds acquired for general modernization, improvement, and expansion. **Underwriter**—None.

Lee National Life Insurance Co.
June 11 filed 200,000 shares of common stock, to be offered for subscription by holders of outstanding stock on the basis of one new share for each share held during the period ending June 25, 1959. **Price**—$5 per share to stockholders; $6 per share to the public. **Proceeds**—To increase capital and surplus. **Office** — 1706 Centenary Boulevard, Shreveport, La. **Underwriter**—None.

★ **Lee Transportation Co.**
Aug. 18 (letter of notification) 5,000 shares of preferred stock to be offered to employees. **Price**—At par ($10 per share). **Proceeds** — For general operating funds. **Office** — 418 Olive St., St. Louis, Mo. **Underwriter** — None.

Lenahan Aluminum Window Corp.
July 28 filed 157,494 shares of common stock, to be offered initially to stockholders on the basis of one new share for each two shares owned as of the record date. Unsubscribed shares will be offered to the public. **Price**—$4 per share. **Proceeds**—For inventory and for working capital. **Office**—Jacksonville, Fla. **Underwriter**—Plymouth Bond & Share Corp., Miami, Fla.

Lincoln Telephone & Telegraph Co. (8/27)
Aug. 6 filed 30,000 shares of 5% convertible preferred stock ($100 par), to be offered to stockholders of record Aug. 27, 1959, on the basis of one new preferred share for each nine common shares then held; rights to expire on Sept. 14. To permit the offering on such basis one common stockholder has waived his rights as to 5,004 common shares. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans incurred for construction proram. **Office**—Lincoln, Neb. **Underwriter**—Dean Witter & Co., New York.

● **Long Mile Rubber Co., Dallas, Tex. (9/8-11)**
Aug. 18 filed $1,500,000 of sinking fund subordinated debentures, due Sept. 1, 1974, with warrants for the purchase of 60,000 shares of common stock. The statement also covers 225,000 shares of outstanding common stock, to be offered for the account of certain selling stockholders. **Price** — For debentures with warrants, 100% of principal amount; and for common stock, to be supplied by amendment. **Proceeds**—To be used to pay off notes to bank and to repay $700,000 of other money obligations. **Underwriters**—Scherck, Richter & Co., St. Louis, Mo.; Burnham & Co., New York; and S. D. Lunt & Co., Buffalo, N. Y.

Loomis-Sayles Fund of Canada Ltd.
July 6 filed 800,000 shares of common stock, to be offered initially at $25 per share through Loomis, Sayles & Co., Inc., to clients, officers, directors and employees of the latter. The shares also are to be offered to shareholders of Loomis-Sayles Mutual Fund, Inc., of record on or about Aug. 18, 1959. After Sept. 1, 1959, the offering price will be net asset value. After about Oct. 18, 1959, shares will be offered only to shareholders of Loomis, Sayles & Co., Inc., and its affiliated companies. **Proceeds**—For investment.

● **Lytton Financial Corp. 9/8-11)**
Aug. 3 filed 110,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To enable the wholly-owned Lytton Savings and Loan Association to increase its lending and investment capacity, with the balance to be retained by the issuing company and added to working capital. **Office**—7755 Sunset Blvd., Hollywood, Calif. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

Magnuson Properties, Inc.
June 26 filed 500,000 shares of class A common stock. **Price**—To be supplied by amendment. **Proceeds**—$443,071 is to be expended during the period ending Aug. 31, 1960, for mortgage payments and releases; $465,000 will be paid on notes acquired by members of the Magnuson family in the transfers of subsidiaries and properties to the company; $350,000 will be used to pay off an existing loan secured by a mortgage on the Florida Shores properties in Edgewater, Fla., and an assignment of a lot contract receivable; about $150,000 for the construction of the first four stories of the company's proposed office building in Miami (the balance estimated at $150,000 will be secured by a mortgage on the building), and $93,200 to close certain options and purchase contracts covering lands in the Melbourne-Cape Canaveral area. The balance will be added to the company's general funds and will be available, together with funds received from payments on lot sales, principally for the development of the Palm Shores properties (at Eau Gallie) and for further acquisitions, and for use as working capital. **Office**—20 S. E. 3rd Ave., Miami, Fla. **Underwriter**—Blair & Co. Inc., New York. **Offering**—Expected in September.

Matronics, Inc. (9/10)
June 29 filed 200,000 shares of capital stock (par 10¢). **Price**—$3.75 per share. **Proceeds**—For sales promotion, production test equipment, research and development, demonstrators for special systems, receivables, inventories, prepayment of notes and other purposes. **Office**—558 Main St., Westbury, L. I., N. Y. **Underwriters**—Vermilye Brothers; Kerbs, Haney & Co.; Mid-Town Securities Corp.; and Cortland Investing Corp., all of New York.

Medearis Industries, Inc.
May 14 filed 200,000 shares of common stock (par 20 cents). **Price**—$3.75 per share. **Proceeds**—For general corporate purposes. **Office** — 42 Broadway, New York, N. Y. **Underwriter**—Amos Treat & Co., Inc., New York. **Offering**—Expected in September.

★ **Meeker's Chemical & Ore Supply Works, Inc.**
Aug. 12 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For equipment, working capital, etc. **Office** — 259 Calliope St., Laguna Beach, Calif. **Underwriter**—None.

★ **Mercantile Acceptance Corp. of California**
Aug. 13 (letter of notification) $91,000 of 15-year 6% capital debentures. **Price**—At par. **Proceeds**—For working capital. **Office**—333 Montgomery St., San Francisco, Calif. **Underwriter** — Guardian Securities Corp., San Francisco, Calif.

Metallurgical Processing Corp., Westbury, N. Y.
Aug. 6 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To retire debts; to acquire new equipment for processing metals and to expand its overall capacity; to move its facilities and new equipment into a new building and for further development and expansion. **Underwriter**—Netherlands Securities Co., Inc., New York, N. Y. **Offering**—Expected sometime in September.

Microwave Electronics Corp.
July 2 filed $500,000 of 10-year 5% subordinated debentures due July 1, 1969 together with 250,000 shares of common stock (par 10 cents) to be offered in units of $10,000 principal amount of debentures and 5,000 common shares. An additional 138,000 shares may be issued in connection with the company's restricted stock option plan. **Price**—$10,500 per unit. **Proceeds**—To purchase machinery, equipment and other fixed assets, for operating expenses, and the remainder for working capital. **Office**—4061 Transport St., Palo Alto, Calif. **Underwriter**—None. **Financial Adviser**—Hill, Richards & Co., Inc., Los Angeles, Calif.

Monarch Marking System Co. (9/14-18)
Aug. 12 filed 100,000 shares of common stock (no par), of which 50,000 shares are to be offered for the account of the issuing company, and 50,000 shares, representing outstanding stock, are to be offered for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Dayton, Ohio. **Underwriter**—McDonald & Co., Cleveland, Ohio.

● **Narda Microwave Corp. (9/8-11)**
June 16 filed 50,000 shares of common stock (par 10 cents) and 50,000 warrants to be offered in units, consisting of one share of common stock with attached warrant entitling the holder to purchase one additional share. The statement also includes an additional 10,000 shares of common stock reserved for issuance to key employees pursuant to options. **Price**—To be supplied by amendment. **Proceeds** — To be used to retire bank loans. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

National Citrus Corp.
April 20 (letter of notification) 150,000 shares of common stock. **Price**—At par ($2 per share). **Proceeds**—For new equipment, inventory and working capital. **Address**—P. O. Box 1658, Lakeland, Fla. **Underwriter**—R. F. Campeau Co., Inc., Detroit, Mich. **Offering**—Expected in September. Statement to be amended.

● **National Cleveland Corp., Cleveland, Ohio (9/14-18)**
Aug. 18 filed $600,000 of convertible subordinated debentures, due Sept. 1, 1971. **Price**—To be supplied by amendment. **Proceeds**—To be used to retire short-term bank loans and for additional working capital. **Underwriters**—Merrill, Turben & Co., Inc., Cleveland, Ohio and Loewi & Co. Inc., Milwaukee, Wis.

● **National Industrial Minerals Ltd.**
Aug. 4 filed 150,000 shares of common stock (no par). **Price** — $1 per share. **Proceeds** — To retire indebtedness for construction of plant and for other liabilities, and the remainder will be used for operating capital. **Office** — Regina, Saskatchewan, Canada. **Underwriter**—Laird & Rumball Ltd., Regina, Saskatchewan, Canada.

National Sports Centers, Inc. (9/2)
July 2 filed $1,000,000 of 6% convertible income debentures cumulative due 1969, series C, and 100,000 common stock purchase warrants. **Price** — 100% of principal amount. **Proceeds**—To be used for completion of and/or payment of certain bowling alley and other properties, and the balance will be added to the company's general funds available for development of properties and the acquisition and development of additional bowling properties. **Office**—55 Broadway, New York. **Underwriter**—General Investing Corp., New York.

National Telepix, Inc.
Aug. 4 (letter of notification) 100,000 shares of common stock (par one cent). **Price** — $3 per share. **Proceeds** — For acquisition of film properties; for prints equipment, machinery and supplies and working capital. **Office**—545 5th Avenue, New York, N. Y. **Underwriter**—Chauncey, Walden, Harris & Freed, Inc., 580 5th Avenue, New York, N. Y.

Nationwide Auto Leasing System, Inc.
July 16 (letter of notification) 142,500 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For financing of leased cars and for general corporate purposes. **Underwriter**—Investment Bankers of America, Inc., Washington, D. C. **Offering**—Expected during the latter part of August.

Nationwide Small Business Capital Investing Corp.
April 24 filed 500,000 shares of capital stock (par 50 cents). **Price** — $1 per share. **Proceeds** — For working capital and investments. **Office**—Hartsdale, N. Y. **Underwriter**—None.

★ **Navco Electronic Industries, Inc.**
Aug. 18 (letter of notification) 142,800 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To purchase a plant, equipment, material, inventory and for working capital. **Office**—1211 4th St., Santa Monica, Calif. **Underwriter**—Aetna Securities Corp., New York, N. Y.

New West Amulet Mines Ltd. (9/8-11)
July 30 filed 200,000 shares of outstanding capital stock (par $1). **Price**—To be related to the current market price on the Canadian Stock Exchange at the time of the offering. Closing price Aug. 7 was 84 cents. **Proceeds**—To selling stockholder. **Office**—244 Bay Street, Toronto, Canada. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

New York Capital Fund of Canada, Ltd. (9/2)
June 30 filed 1,000,000 shares of common stock (par 34 cents). **Price**—At net asset value (as of Sept. 2), plus underwriting discounts and commissions. **Proceeds** — For investment. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York. Statement effective Aug. 11.

★ Nielsen-Tupper Instruments, Inc.
Aug. 19 (letter of notification) 29,399 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds** —To purchase machines, tools, office equipment, furniture, drafting and printing equipment and for working capital. **Office** — 1411 Fourth Ave., Seattle 1, Wash. **Underwriter**—Crawford Goodwin Co., Seattle, Wash.

• Nord Photocopy & Business Equipment Corp.
July 21 filed 100,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—To reduce bank debts and for general corporate purposes. **Office**—New Hyde Park, L. I., New York. **Underwriter**—Myron A. Lomasney & Co., New York. **Offering**—Expected today (Aug. 27).

North American Cigarette Manufacturers, Inc.
July 29 filed 150,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds** —For working capital, advertising and sales expenses, and additional machinery. **Office**—521 Park Avenue, New York. **Underwriter**—American Diversified Mutual Securities Co., Washington, D. C.

★ Northland Chemical Co., East Grand Forks, Minn.
Aug. 19 (letter of notification) 1,163 shares of class A common stock. **Price**—At par ($100 per share). **Proceeds** —To construct an additional steel storage building and for working capital. **Underwriter**—None.

• Oak Valley Sewerage Co.
June 30 (letter of notification) $145,000 of 5½% first mortgage bonds series of 1958. **Price**—At par. **Proceeds** —To repay to Oak Valley, Inc. a portion of the cost of construction of sewerage collection and disposal system and to pay the costs and expenses of financing. **Office** —330 Main St., Mantua, N. J. **Underwriter**—Bache & Co., Philadelphia, Pa. **Offering**—Expected in September.

• Oak Valley Water Co.
June 30 (letter of notification) $125,000 of 5½% first mortgage bonds series of 1958. **Price**—At par. **Proceeds** —To repay Oak Valley, Inc. a portion of the cost of construction of the water supply and distribution system; to pay the cost of a new 12 inch well to increase the company's supply of water; and to pay the costs and expenses of financing. **Office**—330 Main St., Mantua, N. J. **Underwriter** — Bache & Co., Philadelphia, Pa. **Offering**—Expected in September.

Oil, Gas & Minerals, Inc.
April 2 filed 260,000 shares of common stock (par 35 cents. **Price**—$2 per share. **Proceeds**—To retire bank loans and for investment purposes. **Office**—513 International Trade Mart, New Orleans, La. **Underwriter** — Assets Investment Co., Inc., New Orleans, La. The SEC has scheduled a hearing, to begin on Sept. 2, to determine whether a stop order should be issued suspending the offering.

Oreclone Concentrating Corp., New York, N. Y.
May 20 filed 200,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds** — For repayment of outstanding obligations and for working capital. **Underwriter**—Investment Bankers of America, Inc., Washington, D. C. **Offering**—Expected any day.

★ Pacific Finance Corp.
Aug. 24 filed 160,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To be added to the working capital of the company, and may be initially applied to reduce short-term indebtedness. **Underwriters** —Blyth & Co., Inc., and Hornblower & Weeks, both of New York.

• Pacific Outdoor Advertising Co. (9/8-11)
Aug. 10 filed $850,000 of 15-year 6% subordinated debentures, due Sept. 1, 1974, with attached warrants for the purchase of 30,600 shares of common stock, and, in addition, filed 50,000 shares of common stock (par $5), of which 40,000 shares are to be offered for the account of the issuing company, and 10,000 shares for the account of the present holders thereof. **Price**—To be supplied (for each issue) by amendment. **Proceeds** — To purchase advertising structures and poster panels, to pay Federal and state tax liabilities, to purchase motor trucks, to pay certain debts, and to assist in the purchase of two similarly engaged companies. **Office**—995 North Mission Road, Los Angeles, Calif. **Underwriters**—Lester, Ryons & Co., and Wagenseller & Durst, Inc., both of Los Angeles.

• Paddington Corp. (8/31-9/2)
July 31 filed 150,000 shares of class A common stock (par $1), of which 110,000 shares are to be offered for the account of the company and 40,000 shares are to be offered for the account of a selling stockholder. **Price**—To be supplied by amendment (expected at $7.50 per share). **Proceeds**—To repay bank loans, with the balance, if any, to be added to working capital. **Office**—630 Fifth Ave., New York. **Underwriters** — Lee Higginson Corp., H. Hentz & Co. and C. E. Unterberg, Towbin Co., all of New York.

Pan-Alaska Corp.
Aug. 7 filed 2,612,430 shares of common capital stock to be issued pursuant to options held by Marine Drilling, Inc. Latter company will, in turn, offer its stockholders rights to purchase two shares of Pan-Alaska common, at 20 cents a share, for each share of Marine Drilling stock. Marine Drilling also plans to sell 250,000 shares of the 680,000 shares of Pan-Alaska it now owns. **Underwriter** —Any stock not subscribed for by holders of Marine Drilling will be publicly offered by Crerie Co., Houston, Texas and Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tenn., at a price of 20 cents a share.

Philippine Oil Development Co., Inc.
April 10 filed 221,883,614 shares of capital stock, being offered for subscription by holders of outstanding stock at the rate of one new share for each two shares held. Record date June 2, 1959; rights were to have expired on July 31, 1959, but expiration date has been extended to Sept 15. **Price**—1¾ cents per share. **Proceeds**—For working capital. **Office**—Soriano Building, Plaza Cervantes, Manila (P. I.). **Underwriter**—None.

Photronics Corp., College Point, L. I., N. Y.
June 9 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**— Purchase and installation of machinery; electronic and optical test equipment; purchase and installation of fixtures and for working capital. **Office** — c/o McNabb, Sommerfield & James, 40 Exchange Place, New York, N. Y. **Underwriter**—M. H. Woodhill, Inc., New York, N. Y.

• Porce-Alume, Inc.
Aug. 3 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds** —For expansion. **Office**—Alliance, Ohio. **Underwriter**— Pearson, Murphy & Co., Inc., New York.

★ Powell River Co., Ltd.
Aug. 20 filed 4,500,000 ordinary shares (no par) to be offered, following a two-for-one stock split in September to holders of record of, and in exchange for outstanding class A and class B shares of MacMillan & Bloedel, Ltd., on the basis of seven shares of Powell River stock for three shares of MacMillan & Bloedel stock, whether class A or class B. **Office** — 1204 Standard Bldg., Vancouver, B. C., Canada. **Dealer-Managers**—White, Weld & Co., Wood, Gundy & Co., Inc., and Greenshields & Co., all of New York; and Wood, Gundy & Co., Ltd., and Greenshields & Co., Inc., of Canada.

★ Precision Industries, Inc.
Aug. 13 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1.15 per share. **Proceeds**—For acquisition of electronic checking equipment and machine tool equipment, and for working capital. **Office**—2015 Northeast Broadway, Minneapolis, Minn. **Underwriter**—None.

Producers Fire & Casualty Co., Mesa, Ariz.
March 31 filed 400,000 shares of common stock to be offered for subscription by holders of stock purchase rights acquired in connection with life insurance policies issued by Dependable Life Insurance Co. and to certain agents and brokers of Producers Fire & Casualty Co. **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ Provident Management Corp.
Aug. 14 (letter of notification) 456,667 shares of non-voting class A common stock (par 50 cents). **Price**—60 cents per share. **Proceeds**—For working capital, investments and acquisitions. **Office** — 3 Penn Center Plaza, Philadelphia, Pa. **Underwriter**—None.

Rad-O-Lite, Inc.
July 8 filed 300,000 shares of common stock (par 25¢). **Price** —$1.50 per share. **Proceeds** — For general corporate purposes. **Office**—1202 Myrtle St., Erie, Pa. **Underwriter**—John G. Cravin & Co., New York. **Offering**— Expected in September.

★ Radio City Products Co., Inc.
Aug. 17 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds** —For machinery and electronic test equipment, environmental testing equipment, placing accounts payable on discount basis, retiring trade notes, retiring loans outstanding, research and development and for working capital. **Office** — Centre & Glendale Sts., Easton, Pa. **Underwriter**—A. T. Brod & Co., New York, N. Y. **Offering**—Expected sometime in September.

• Radio Frequency Company, Inc. (9/10)
Aug. 12 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office** — Medfield, Mass. **Underwriter**—Myron A. Lomasney & Co., New York.

• Raub Electronics Research Corp.
July 15 filed 165,000 shares of common stock (par $1), subsequently reduced by amendment to 115,500 shares, of which 100,000 shares will be offered to the public. **Price**—$8.50 per share. **Proceeds**—For general corporate purposes. **Office**—1029 Vermont Avenue, N. W., Washington, D.C. **Underwriter**—Weil & Co., Washington, D.C.

Realsite, Inc.
July 28 filed 200,000 shares of class A stock. **Priced**— $3 per share. **Proceeds**—To pay off mortgages and for working capital. **Office**—Jamaica, L. I., N. Y. **Underwriter**—Robert L. Ferman & Co., Miami, Fla.

Republic Resources & Development Corp.
June 29 filed 1,250,000 unit shares of capital stock. **Price** —$2 per unit of 100 shares. **Proceeds**—To be used in the company's oil exploration program for the purchase of oil exploration and drilling equipment, supplies and materials; to contract with U. S. geophysical contractors for technical services; and to pay its pro rata shares of the dollar exploration expenses under its agreement with three other companies for joint exploration of concessions held in the Philippines. **Office**—410 Rosario St., Binondo, Manila, Philippines. **Underwriter** — John G. Cravin & Co., Inc., New York. **Offering**—Expected in September.

Ritter (P. J.) Co., Bridgeton, N. J.
June 18 filed 4,827 shares of preferred stock, non-cumulative, voting, (par $100) and 60,018 shares of common stock (no par) to be offered to the holders of preferred and common stock of Brooks Foods, Inc., at the rate of one share of Ritter preferred stock for each share of preferred stock of Brooks and two shares of common stock of Ritter for each share of common stock of Brooks. The exchange offer is being made by Ritter in accordance with its agreement with Brooks and certain of its stockholders who own an aggregate of 18,805 shares of its outstanding common stock, or approximately 62.5% of such stock, and who have agreed to accept the exchange offer upon effectiveness of the registration statement.

Rozee Bonus Club, Inc.
July 29 filed 70,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For general corporate purposes, including advertising and promotion expenses and the addition of working capital. **Office**— 112 W. 42nd Street, New York. **Underwriter**—Jay W. Kaufmann & Co., New York.

St. Regis Paper Co.
June 26 filed 30,000 shares of common stock (par $5). The company proposes to offer this stock in exchange for outstanding shares of common stock of Lone Star Bag and Bagging Co. on the basis of 0.6782 of a share of St. Regis common for each share of Lone Star common. St. Regis will declare the exchange offer effective if 95% of the outstanding shares of Lone Star common are deposited for exchange, and may elect to do so if a lesser percent, but not less than 80%, of all the Lone Star common will enable it to control the business operations and policies of Lone Star.

St. Regis Paper Co.
June 24 filed 20,000 shares of common stock (par $5) being offered by the company in exchange for the common stock of Chemical Packaging Corp. on the basis of one share of St. Regis common for each five and one-half shares of common stock of Chemical. The exchange offer will expire on Aug. 31, unless extended. **Office**— 150 East 42nd St., New York. **Underwriter** — None.

St. Regis Paper Co.
Aug. 12 filed 453,731 shares of common stock, to be offered in exchange for the outstanding shares of the capital stock of the Cornell Paperboard Products Co. on the basis of .68 of a share of St. Regis common for each share of Cornell capital stock. The offer will be declared effective if 90% of the outstanding shares of the Cornell stock are deposited for exchange, and may be declared effective if 80% of said shares are so deposited. **Office**— 150 E. 42nd Street, New York.

• Salant & Salant, Inc. (9/2)
Aug. 7 filed 100,000 outstanding shares of class A capital stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Business**—Company is a leading producer of men's, boy's and juvenile popular-priced utility and sports shirts, utility pants and casual slacks. **Underwriters**—Kidder, Peabody & Co. and Jesup and Lamont, both of New York.

Samson Convertible Securities Fund, Inc.
July 15 filed 200,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Office**—23 Hazelton Circle, Briarcliff Manor, N. Y. **General Distributor**—Samson Associates, Inc.

• Sea View Industries, Inc. (8/31-9/3)
July 14 filed $420,000 of 7% convertible subordinated debentures and 84,000 shares of common stock (par one cent). **Price**—$340 per unit of two debentures at $100 par and 40 shares of common stock at $3.50 per share. **Proceeds**—To retire loans; for machinery and equipment; and to add to working capital. **Office**—3975 N. W. 25th Street, Miami, Fla. **Underwriter**—Michael G. Kletz & Co., Inc., New York City.

★ Seagraves Mining Co., Inc.
Aug. 5 (letter of notification) 300,000 shares of common stock (par 10 cents) to be offered for subscription by stockholders; unsubscribed shares to public. **Price**— To stockholders, 80 cents per share; to public, $1 per share. **Proceeds**—For exploration and mining operations. **Office**—3439 N. E. Sandy Blvd., Portland 12, Ore. **Underwriter**—None.

★ Seeburg Corp.
Aug. 21 filed $600,000 of Participations in the Employee Savings-Investment Plan, together with 30,000 shares of common stock which may be acquired pursuant thereto. **Office**—1500 North Dayton St., Chicago, Ill.

★ Service Life Insurance Co.
Aug. 25 filed 25,000 outstanding shares of common stock. **Price** —$20 per share. **Proceeds**—To selling stockholder. **Office** — 400 West Vickery Blvd., Fort Worth, Texas. **Underwriter**—Kay and Company, Inc., Houston, Texas.

Sire Plan of Tarrytown, Inc.
July 13 filed $900,000 10-year 6% debentures and 18,000 shares of $3 cumulative, non-callable, participating preferred stock (par $10). **Price**—$100 per unit consisting of one $50 debenture and one share of preferred stock. The minimum sale is expected to be five units. **Proceeds** —For general corporate purposes incidental to the acquisition of land and buildings in Tarrytown, N. Y., and alterations and construction thereon. **Office**—115 Chambers Street, New York City. **Underwriter**—Sire Plan Portfolios, Inc., 115 Chambers Street, New York City. **Offering**—Expected in September.

Skiatron Electronics & Television Corp.
Aug. 18 filed 172,242 shares of common stock (par 10 cents), of this stock, 128,500 shares were issued or are to be issued pursuant to warrants issued in 1956; 13,742 shares are to be issued to various persons in lieu of cash for services rendered, pursuant to authorization of the directors in January 1958; 30,000 common shares are to be offered by owner Arthur Levey for sale by brokers. **Proceeds**—For working capital. **Office**—New York City. **Underwriter**—None.

Sottile, Inc. (Formerly South Dade Farms, Inc.) (9/8-11)
July 29 filed 2,000,000 shares of common stock (par $1), of which 1,543,000 shares are to be issued and sold for the account of the company, and 457,000 shares, repre-

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senting outstanding stock, to be sold for the accounts of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To retire 70% of the common stock outstanding at the date of the stock offering; to invest in the capital stocks of six of the company's seven bank subsidiaries; to repay a bank loan of $6,400,-000; to add to working capital; to retire certain long-term indebtedness; and to develop citrus groves. **Office**—250 South East First Street, Miami, Fla. **Underwriter**—Bear, Stearns & Co., New York.

Southeastern Development Corp., Hattiesburg, Miss.
Aug. 18 filed 738,964 shares of common stock, of which 340,000 shares will be offered publicly. Each purchaser will receive an option for the purchase on or before April 7, 1960, of the same number of shares at $2.50 per share. An additional 37,429 shares are to be offered in exchange for the common stock of Southeastern Building Corp., on a one-for-one basis, conditional upon the tender of sufficient Building stock for exchange so that the Development Corp. will own at least 75%. **Price**—$2.50 per share. **Proceeds**—To be used to complete building program of Southeastern and to expand other divisions. **Office**—Hattiesburg, Miss. **Underwriter**—None.

★ **Southern California Gas Co. (9/29)**
Aug. 24 filed $30,000,000 of first mortgage bonds, series D, due Oct. 1, 1984. **Proceeds**—To repay short-term indebtedness to Pacific Lighting Corp., the issuer's parent corporation, which is expected to approximate $3,000,-000 as of Oct. 1, 1959, with the balance to be used to finance in part the costs of the company's construction and expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received at Room 1216, 810 South Flower St., Los Angeles, Calif., at 8:30 a.m. (PDT) on Sept. 29, 1959.

● **Southern Frontier Finance Co. (9/1)**
Aug. 11 filed 1,300,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For working capital and to purchase products for company. **Office**—615 Hillsboro St., Raleigh, N. C. **Underwriter**—None, but the company officials, who are making the offering, may pay a 10% commission to dealers in connection with the sale of their shares.

★ **Southern Gulf Utilities, Inc.**
Aug. 24 filed 135,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including expansion. **Office**—7630 Biscayne Blvd., Miami, Fla. **Underwriter**—Jaffee, Leverton, Reiner Co., New York.

★ **Southern New England Telephone Co. (9/14)**
Aug. 24 filed 689,000 shares of common stock (par $25), to be offered for subscription to stockholders of record Sept. 8, 1959, in the ratio of one new share for each 10 shares then held. **Price**—$35 per share. **Proceeds**—To repay advances from American Telephone & Telegraph Co. (owner of 21.3% of the outstanding stock) which are expected to approximate $20,000,000, and the balance, if any, to be used for general corporate purposes. **Office**—227 Church St., New Haven, Conn. **Underwriter**—None.

● **Southern Realty & Utilities Corp. (9/1)**
July 21 filed 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay loans and notes and for working capital. **Office** — New York City. **Underwriters**—Hirsch & Co., and Lee Higginson Corp., both of New York.

Southland Oil Ventures, Inc.
July 22 filed $1,000,000 of participations in the company's 1959 Oil and Gas Exploration Program. **Price**—$5,000 per participation (minimum is 2 participations). **Proceeds**—For oil and gas exploration program. **Office**—2302 Lexington, Houston 6, Texas. **Underwriter**—None.

● **Speedry Chemical Products Co., Inc. (9/2)**
July 31 filed 218,333 shares of class A stock (par 50 cents), of which 51,667 shares are to be offered for account of company and 166,666 shares for selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—For working capital, etc. **Office**—Richmond Hill, L. I., N. Y. **Underwriter**—S. D. Fuller & Co., New York.

Sports Arenas (Delaware) Inc.
Nov. 18 filed $2,000,000 of 6% 10-year convertible debentures (subordinated), due Jan. 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—$750,000 to pay AMF Pinspotters, Inc. for bowling alley beds; $350,000 to pay for other installations, fixtures and equipment; $85,000 to expand two present establishments by increasing the number of alley beds by eight at Yorktown Heights and by six at Wilton Manor Lanes, Fort Lauderdale; $300,000 for deposits on leaseholds, telephones and utilities; and $395,000 for working capital. **Underwriter**—None.

Sports Arenas (Delaware) Inc.
Nov. 18 filed 461,950 shares of common stock (par one cent). **Price**—At the market (but in no event less than $6 per share). **Proceeds**—To selling stockholders. **Office**—33 Great Neck Road, Great Neck, N. Y. **Underwriter**—None.

● **Sta-Rite Products, Inc. (9/8)**
Aug. 7 filed 118,270 shares of common stock (par $2), of which 52,100 shares are to be offered for the account of the issuing company and 66,170 shares, representing outstanding stock, are to be offered for the account of a selling stockholder. **Price** — To be supplied by amendment. **Proceeds**—For general corporate purposes, mostly in connection with equipping a new plant and reducing bank loans incurred for its construction. **Office**—Delavan, Wis. **Underwriter**—Loewi & Co., Inc., Milwaukee, Wis.

★ **Steak'n Shake, Inc. (9/15)**
Aug. 24 filed 65,505 shares of common stock, to be offered by subscription by common stockholders of record Sept. 15, 1959, on the basis of one new share for each 9 shares then held. **Price**—$4.62½ per share. **Proceeds**—For general corporate purposes, including the developing of three drive-in restaurants on company-owned building sites. **Office**—1700 West Washington St., Bloomington, Ill. **Underwriter**—White & Co., St. Louis, Mo.

Stelling Development Corp.
June 8 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mortgages, land, paving roads, loans payable, advertising, etc. **Office**—305 Morgan St., Tampa 2, Fla. **Underwriter**—Stanford Corp., Washington, D. C.

Strategic Materials Corp.
June 29 filed 368,571 shares of common stock (par $1), to be offered for subscription by common stockholders at the rate of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—For payment of bank loans; for payment of a note; for working capital; for expenditures by Strategic-Udy Metallurgical & Chemical Processes Ltd., which owns and operates a pilot plant at Niagara Falls, Ontario, and is a subsidiary of Stratmat Ltd., Strategic's principal subsidiary, and by its other direct subsidiary, Strategic-Udy Processes, Inc., which owns and operates a laboratory at Niagara Falls, N. Y.; as working capital for a mining subsidiary; for payment of a mortagage; and as working capital for another subsidiary. **Underwriters** — S. D. Lunt & Co., Buffalo, N. Y.; and Allen & Co., New York.

Stuart Hall Co., Kansas City, Mo.
June 8 (letter of notification) 23,169 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—White & Co., St. Louis, Mo.

● **Studebaker-Packard Corp.**
July 1 filed 165,000 shares of $5 convertible preferred stock (par $100) and 5,500,000 shares of common stock (par $1). The 5,500,000 shares are reserved for issuance upon conversion of the preferred stock on and after Jan. 1, 1961, at the conversion price of $3 per share, (taking the preferred at $100 per share). The preferred stock was originally issued by the company in October 1958, to 20 banks and three insurance companies pursuant to a corporate reorganization. The largest blocks of preferred stock are now held by two insurance companies—the Metropolitan Life Insurance Co. and the Prudential Insurance Co. of America. The filing was made in order to provide a prospectus for use by the preferred shareholders who may wish to offer or sell shares of the preferred and/or common stock. Bear, Stearns & Co., one of the preferred stockholders, initially offered for public sale 550 shares of preferred stock owned by it, at $310 per share, which were oversubscribed. Statement effective Aug. 18.

Tang Industries, Inc.
May 25 filed 110,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To purchase machinery and equipment; for research and development; for certain expenses and for working capital. **Office**—49 Jones Road, Waltham, Mass. **Underwriter** — David Barnes & Co., Inc., New York.

★ **Technical Materiel Corp. (9/14-18)**
Aug. 20 filed 85,000 shares of common stock (par 50 cents), of which 80,000 shares are to be publicly offered and 5,000 shares to employees. **Price**—To be supplied by amendment. **Proceeds**—To be added to working capital for the purpose of carrying additional inventories and accounts receivable. **Office**—700 Fenimore Road, Mamaroneck, N. Y. **Underwriter**—Kidder, Peabody & Co., New York.

Technology, Inc.
May 15 filed 325,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—To pay off in full the subscription of Microwave Electronic Tube Co., Inc. stock, represented by notes, to pay for improvements upon the plant leased to Microwave, and for working capital. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter** — E. L. Wolf Associates, Inc., Washington, District of Columbia.

★ **Tennessee Gas Transmission Co.**
Aug. 21 filed 473,167 shares of common stock, to be exchanged for the common stock of East Tennessee Natural Gas Co. on the basis of one share of Tennessee Gas Common for 2.75 shares of East Tennessee common. This offer is subject to various conditions, one of which is that all of the 5.20% cumulative preferred stock ($25 par) of East Tennessee shall have been purchased or redeemed and cancelled. East Tennessee is presently negotiating for the sale of $5,800,000 of which 11-year 5¾% debentures, contingent upon the consummation of the exchange offer, $4,568,785 of the proceeds of which will be applied to the redemption of the 5.20% cumulative preferred stock. **Office**—Tennessee Bldg., Houston, Texas. **Dealer-Managers** — Stone & Webster Securities Corp., and White, Weld & Co., both of New York.

Terminal Tower Co.
July 21 filed $2,500,000 7% 10-year sinking fund debentures, due Aug. 1, 1969, with warrants, each warrant entitling the holder to buy 40 shares of common stock ($1 par) until Aug. 1, 1962 at $10 per share. **Price**—To be offered at 100% of principal amount. **Proceeds**—To repay bank indebtedness. **Underwriter**—Fulton Reid & Co., Inc., Cleveland, Ohio. **Offering** — Expected in early September.

● **Tex-Star Oil & Gas Corp. (9/4-8)**
Aug. 12 filed $1,000,000 of 6% convertible debentures, due Sept. 1, 1974. **Price**—At 100% of principal amount. **Proceeds**—For general corporate purposes, including exploring for oil and acquiring properties and small oil and gas companies. **Office**—Meadows Bldg., Dallas, Texas. **Underwriters**—Stroud & Co., Inc., Philadelphia, Pa., and Auchincloss, Parker & Redpath, New York.

Textron Electronics Co.
Aug. 3 filed 500,000 shares of outstanding common stock, to be offered by Textron Industries, Inc., the present holder thereof, to its stockholders on the basis of one share of Textron Electronics stock for each 10 shares of Textron Industries stock held as of the record date. **Price**—To be supplied by amendment. **Office**—10 Dorrance Street, Providence, R. I. **Underwriter**—None.

Tower's Marts, Inc.
July 29 filed 300,000 shares of class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes, including the acquisition of new store properties and expenses incidental to the opening of stores. **Office**—210 East Main Street, Rockville, Conn. **Underwriter**—D. Gleich Co., New York.

● **Transdyne Corp. (9/15)**
Aug. 7 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For relocation of plant; purchase of additional electronic laboratory equipment; purchase of additional machine shop equipment; development of new products and for working capital. **Office**—58-15 57th Drive, Maspeth, New York. **Underwriter**—Simmons & Co., New York, N. Y.

Treasure Hunters, Inc.
June 4 filed 1,900,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For salvage operations. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter**—None.

Trinity Small Business Investment Co.
April 17 filed 235,000 shares of capital stock (par $1). **Price** — $10.75 per share. **Proceeds** — For investment. **Office**—South Main Street, Greenville, S. C. **Underwriter**—To be supplied by amendment.

★ **Truax-Traer Coal Co.**
Aug. 24 filed $800,000 of Participations in Employees Stock Purchase Incentive Plan, together with 30,000 shares of common stock which may be purchased pursuant thereto. **Office**—111 N. Wabash Ave., Chicago, Ill.

Tungsten Mountain Mining Co.
May 21 (letter of notification) $100,000 principal amount of 7% first mortgage convertible bonds, to be offered in denominations of $500 and $1,000 each. **Price**—100% of principal amount. **Proceeds**—For construction, installation of machinery and equipment and working capital. **Office**—511 Securities Building, Seattle 1, Wash. **Underwriter**—H. P. Pratt & Co., Seattle 4, Wash.

Union Electric Co. (9/10)
Aug. 7 filed 1,057,725 shares of common stock (par $10), to be offered for subscription by stockholders of record Sept. 10, 1959, on the basis of one new share for each 10 shares then held; rights to expire Sept. 30. The company will also offer to its employees and those of its subsidiaries shares not deliverable under the offering to stockholders, and also 21,123 shares now held in the treasury. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the financing of additions to plant and property and the retirement of loans already incurred for these purposes. **Office**—315 North 12th Blvd., St. Louis, Mo. **Underwriter** — To be determined by competitive bidding. Probable bidders: Lehman Brothers; White, Weld & Co.; Eastman Dillon, Union Securities & Co. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc. **Bids**—Expected to be received on Sept. 10, up to 11 a.m. (EDT).

● **United Artists Corp. (8/31-9/3)**
July 31 filed 100,000 shares of outstanding common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—729 Seventh Ave., New York. **Underwriter**—F. Eberstadt & Co., New York.

United Discount Corp.
July 23 filed 500,000 shares of common stock. **Price**—$3.50 per share. **Proceeds**—For general corporate purposes and to reduce indebtedness. **Office** — 222 — 34th Street, Newport News, Va. **Underwriter**—Willis, Kenny & Ayres, Inc., Richmond, Va. **Offering**—Expected sometime during August.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

United Industries Co., Inc., Houston, Texas (9/2-4)
Aug. 5 filed 100,000 shares of 60 cent cumulative convertible preferred stock. **Price** — At par ($8.50 per share). **Proceeds**—To be used to pay for construction of grain elevator and balance will be used for additional working capital. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

United States Communications, Inc. (8/31-9/3)
Aug. 5 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$2.25 per share. **Proceeds**—For a plant and equipment; purchase and construction of research and development test equipment and laboratory and operating capital. **Office**—112 Clayton Avenue, East Atlantic Beach, Nassau County, New York. **Underwriter**—Heft, Kahn & Infante, Inc., Hempstead, N. Y.

United Tourist Enterprises, Inc.
Jan. 28 filed 4,500,000 shares of class A common stock (par 50 cents). **Price** — $2 per share. **Proceeds** — For development and construction of a "Western Village"

and for construction of a Grand Estes Hotel and Convention Hall, to be constructed in the immediate vicinity of Estes Park Chalet, located in Larimer County, Colo. **Office** — 330 South 39th Street, Boulder, Colo. **Underwriter**—Mid-West Securities Corp., Littleton, Colo.

Universal Finance Corp.
July 13 (letter of notification) 10,000 shares of common stock (par 15 cents). **Price**—$5 per share. **Proceeds**—For general operating funds. **Office**—700 Gibralter Life Bldg., Dallas, Tex. **Underwriter**—Texas National Corp., San Antonio, Tex.

Val Vista Investment Co., Phoenix, Ariz.
June 29 filed 80 investment contracts (partnership interests) to be offered in units. **Price**—$5,378.39 per unit. **Proceeds**—For investment. **Underwriter**—O'Malley Securities Co. Statement effective Aug. 11.

Variable Annuity Life Insurance Co. of America
April 21 filed $4,000,000 of Variable Annuity Policies. **Price**—No less than $120 a year for annual premium contracts and no less than $1,500 for single premium contracts. **Proceeds**—For investment, etc. **Office**—1832 M Street, N. W., Washington, D. C. **Underwriter**—None.

Victoria Raceway
May 25 filed 1,000,000 shares of common stock (par $2 in Canadian funds). **Price**—$4.50 per share. **Proceeds**—To construct and operate a racing plant; and for working capital and other corporate purposes. **Office**—Notre Dame Avenue at King Street, Winnipeg, Canada. **Underwriter**—Original underwriter has withdrawn.

● **Vita-Plus Beverage Co., Inc.**
Aug. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For publicity, advertising, business promotion and initiation of a program of national distribution and for working capital. **Office**—373 Herzl St., Brooklyn, N. Y. **Underwriter**—Caldwell Co., New York, N. Y. **Offering**—Expected sometime in September.

Vulcan Materials Co., Inc.
June 29 filed 10,000 shares of 6¼% cumulative preferred stock and 560,000 shares of common stock, to be offered to the stockholders of Ralph E. Mills Co., Talbott Construction Corp. and Talco Constructors, Inc., in exchange for all the outstanding capital stock of these three corporations, and to the owner of Sherman Concrete Pipe Co., Chattanooga, Tenn., for the business and assets of that company. **Office**—Mountain Brook, Ala. Statement became effective on July 20.

● **Waddell & Reed, Inc. (9/14-18)**
Aug. 17 filed 370,000 shares of class A common stock (par $1), non-voting, of which 80,000 shares are to be offered for public sale for the account of the issuing company and 290,000 shares, representing outstanding stock, by the present holders thereof. **Price**—About $28-$32 per share. **Proceeds**—To redeem at 105% of the par value thereof, 1,500 shares of class A preferred stock ($100 par) and at 120% of the par value thereof, 375 shares of $100 par preferred stock now outstanding and the balance will be added to the company's working capital "in anticipation of further expansion of its business." **Office**—20 West 9th St., Kansas City 5, Mo. **Underwriter**—Kidder, Peabody & Co., New York.

Waltham Engineering and Research Associates
July 28 filed $1,065,000 of participations in partnership interests. **Proceeds**—To purchase land and buildings of Waltham Engineering and Research Center, Waltham, Mass., and for expenses connected to the purchase. **Office**—49 W. 32nd Street, New York 1, N. Y. **Underwriter**—The First Republic Underwriters Corp., same address. The offering is expected in September.

● **Wellington Electronics, Inc.**
May 6 filed 240,000 shares of common stock (par 75 cents. **Price**—$6 per share. **Proceeds**—For repayment of a bank note; to complete the automation of the etched foil production plant at Englewood, N. J.; for manufacture of machines to be leased to capacitor manufacturers; and for working capital. **Office**—65 Honeck St., Englewood, N. J. **Underwriters**—Amos Treat & Co., Inc., and Truman, Wasserman & Co., both of New York. **Offering** — Expected this week. Statement effective July 8.

West Coast Telephone Co. (9/15)
Aug. 13 filed 135,000 shares of common stock (par $10), of which 10,000 shares are to be offered to employees under the company's Employee Stock Option Plan, and 125,000 shares offered for public sale. **Price**—To be supplied by amendment. **Proceeds**—For construction, including the repayment of about $800,000 of bank loans already incurred for this purpose. **Office**—1744 California St., Everett, Wash. **Underwriter**—Blyth & Co., Inc., Los Angeles and New York.

Western Empire Life Insurance Co.
June 29 filed 212,000 shares of common stock and options to purchase 172,701 shares (plus the underlying shares). The company proposes to make a public offering of three blocks of stock in amounts of 40,430, 38,570 and 36,935 shares, at prices of $1, $2 and $3, respectively The remaining 96,065 common shares and options for the 172,701 shares (together with shares underlying such options) are to be offered by the present holders thereof The options permit purchase of the underlying shares at $1 per share. **Proceeds**—For general corporate purposes. **Office**—2801 East Colfax Ave., Denver, Colo. **Underwriter**—None.

Western Wood Fiber Co.
March 5 filed 100,000 shares of common stock (par $10) and 40,000 shares of preferred stock (par $25). **Price** — At par. **Proceeds**—For construction and equipment of company's plant and for working capital **Office**—300 Montgomery St., San Francisco, Calif. **Underwriter**—None.

Wyoming Corp.
Nov. 17 filed 1,449,307 shares of common stock. Of these shares 1,199,307 are subject to partially completed subscriptions at $2, $3.33 and $4 per share; and the additional 250,000 shares are to be offered initially to shareholders of record Nov. 1, 1958, in the ratio of one new share for each 2.33 shares held on that date. **Price**—$4 per share. **Proceeds**—$300,000 will be used for payments on contract to purchase shares of International Fidelity Insurance Co.; $325,000 for capitalization of a fire insurance company; $500,000 for capitalization of a title insurance company; $500,000 for additional capital contribution to Great Plains Development Co.; and $300,000 as an additional capital contribution to Great Plains Mortgage Co. **Office**—319 E. "A" St., Casper, Wyo. **Underwriter**—None.

● **York Research Corp. (9/10)**
Aug. 10 filed 150,000 shares of class A stock (par $1). **Price**—$3 per share. **Proceeds** — For general corporate purposes, including the discharge of various indebtedness and the purchase and installation of new equipment; and for the establishment of a new testing laboratory. **Office**—Stamford, Conn. **Underwriter**—Myron A. Lomasney & Co., New York.

Prospective Offerings

★ **Allied Radio Corp.**
Aug. 25 it was reported that a registered secondary offering of common stock is being planned. **Proceeds**—To selling stockholders. **Underwriter**—White, Weld & Co.

★ **American Electric Power Co. (10/22)**
Aug. 26 it was announced that the company plans to sell 1,200,000 shares of common stock. **Proceeds**—To be used principally to retire $52,000,000 of notes, due 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Eastman Dillon, Union Securities & Co., and The First Boston Corp., all of New York. **Bids**—Expected to be received on Oct. 22.

American Gypsum Co.
July 15 it was reported that the company will register debt and equity securities later this year. **Proceeds**—For construction of a gypsum products plant in Albuquerque, New Mexico, and for working capital. **Office**—Albuquerque, N. M. **Underwriters**—Jack M. Bass & Co., Nashville, Tenn., and Quinn & Co., Albuquerque, N. M.

American Telephone & Telegraph Co. (11/17)
Aug. 19 the directors authorized a new issue of $250,000,000 of debentures. **Proceeds**—To be used for the improvement and expansion of Bell Telephone services. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Morgan Stanley & Co. and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received on Nov. 17.

Atlantic City Electric Co.
Aug. 3 it was reported that the directors are contemplating the issuance and sale of a small amount of common stock, after a three-for-two stock split. Last equity offerings were underwritten by Eastman Dillon, Union Securities & Co.; and Smith, Barney & Co., both of New York. **Offering**—Expected during the latter part of this year.

Aurora Plastics Corp.
July 30 it was reported that the company plans early registration of 225,000 shares of common stock (part for selling stockholders). **Business** — Manufactures plastic airplane models. **Underwriter** — Burnham & Co., New York.

Barton's Candy Corp.
July 15 it was reported that the company is planning an issue of common stock. **Business** — The 19-year-old company operates 67 retail candy stores in the Greater New York area, and 45 other outlets in the area north of Atlanta, Ga., and east of Chicago, Ill. Gross sales volume in the fiscal year ended June 30 was reportedly about $10,000,000. **Proceeds** — In part to selling stockholders, and, in part, to the company, for the expansion of production facilities, for the organization of additional outlets, and for general corporate purposes. **Underwriter**—D. H. Blair & Co., N. Y. C.

Benson Manufacturing Co., Kansas City, Mo.
June 10 it was announced that the company contemplates an offering of $4,500,000 of common stock. **Proceeds** — For expansion program and additional working capital. **Business**—The company is engaged in the manufacture of aircraft and missile parts, aluminum containers and beer barrels, aluminum curtain wall sections for the building industry and other proprietary products. **Underwriter**—S. D. Fuller & Co., New York.

Boston Edison Co.
July 23 it was reported that at a meeting to be held Sept. 2 stockholders will consider issuing not more than $15,000,000 of first mortgage bonds. **Proceeds**—To retire short-term bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Lehman Brothers; and White, Weld & Co.

Boston Edison Co.
July 23 it was reported that at a meeting to be held Sept. 2 stockholders will consider issuing 271,553 shares of common stock, to be offered to stockholders on the basis of one new share for each 10 shares held as of the record date. The last rights offering was underwritten by The First Boston Corp., New York.

Brooklyn Union Gas Co.
Aug. 19 it was reported that the company is contemplating some additional equity financing, the form it will take will be decided on shortly. **Proceeds**—For construction program. **Offering**—Expected before the end of the year.

● **Buckingham Transportation, Inc. (9/21-24)**
July 17 the company sought ICC approval for the issuance of 250,000 shares of class A common stock (par $1). **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill. **Price**—$10 per share. **New Name**—The company's name will be changed to Buckingham Freight Lines.

Central & Southwest Corp.
May 19 it was announced that the company in view of generally favorable market conditions, is now considering the sale of 350,000 or 400,000 shares of common stock. **Offering**—Expected sometime this Fall. **Underwriters** — To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Harriman Ripley & Co., Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Smith Inc. jointly.

★ **Chicago Burlington & Quincy R R. (9/9)**
Bids will be received by the company up to noon (CDT) on Sept. 9 for the purchase from it of $3,150,000 of equipment trust certificates to mature semi-annually from March 1, 1960 to Sept. 1, 1974, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Columbia Gas System Inc. (10/8)
Aug. 19 it was reported that the company is contemplating the issuance and sale of $25,000,000 of debentures due Oct. 1, 1984. **Proceeds**—For 1959 construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc. and White, Weld & Co. (jointly); Morgan Stanley & Co. **Registration**—Scheduled for Sept. 11. **Bids**—Expected to be received up to 11 a.m., (New York Time) on Oct. 8 at the office of the company, 120 East 41st Street, New York.

Consolidated Edison Co. of New York Inc. (12/1)
July 30 it was reported that the company plans the issuance and sale of $50,000,000 first and refunding mortgage bonds. **Proceeds** — For construction expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received on Dec. 1.

Consolidated Natural Gas Co.
May 19, James Comerford, President, announced that company plans later in year to issue and sell $20,000,000 of debenture bonds, if market conditions are favorable. **Proceeds**—For investments, improvements, etc. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and The First Boston Corp. (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly).

Cyprus Mines Corp.
July 15 it was reported that approximately 1,000,000 shares of a secondary issue common stock will be registered in the Fall. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

Dallas Power & Light Co.
Aug. 3 it was reported that the company contemplates the issuance and sale of about $20,000,000 of senior securities, but type or types has not as yet been determined. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Eastman Dillon, Union Securities & Co.; Blair & Co., Inc. and Baxter & Co. (jointly); Lehman Brothers. (2) For debentures: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Salomon Bros. & Hutzler; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; Lehman Brothers; Blair & Co. Inc.; The First Boston Corp. **Offering**—Expected in the latter part of this year.

Duquesne Light Co.
Aug. 3 it was reported that the company is contemplating the issuance of an undetermined amount of subordinated convertible debentures. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co.; A. C. Allyn & Co., Inc. and Ladenburg, Thalmann & Co. (jointly); White, Weld & Co.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc.; Drexel & Co. and Equitable Securities Corp. (jointly). **Offering**—Expected later this year.

Essex Universal Corp.
June 15 it was reported that the company in the next few months expects the issuance and sale of about $2,000,000 of debentures.

Federation Bank & Trust Co.
June 30 the Directors approved and the stockholders approved on July 14, the offering of 108,904 shares of new capital stock to stockholders of record Aug. 7, 1959; rights to expire on Aug. 28, 1959. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

● **Florida Power & Light Co. (10/27)**
Aug. 17 it was reported that the company plans to file with the SEC $20,000,000 of first mortgage bonds. **Proceeds**—To help finance the company's construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc. and Lehman Brothers (jointly); White, Weld & Co., and The First Boston Corp. **Bids**—Expected Oct. 27.

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● Gateway Airlines, Inc.
July 30 it was reported that the company will make an initial common stock offering. **Proceeds**—To buy planes and for general corporate purposes. **Underwriter** — Dunne & Co., New York. **Registration** — Planned for Aug. 28.

General Flooring Corp.
July 30 it was reported that the company plans early registration of $1,500,000 of 15-year bonds and common stock, to be offered in units. This will be the company's first public financing. **Business**—Manufacturer of stretch wool panel flooring. **Underwriters**—H. M. Byllesby & Co., Inc., Chicago, Ill.; Mason-Hagan, Inc., Richmond, Va.; Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.

● Georgia-Pacific Corp.
Aug. 19 it was reported that the company plans to register about $15,000,000 of convertible debentures or preferred stock, conversion of which would add about 600,000 shares to the number of common shares currently outstanding. **Proceeds**—To assist in the financing of the recently acquired Booth-Kelly Lumber Co. **Office**—Olympia, Wash. **Underwriter**—Financing in past has been handled by Blyth & Co., Inc.

★ Gulf States Utilities Co. (11/24)
Aug. 20 it was reported that the company plans the issuance and sale of $16,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Lehman Brothers; Stone & Webster Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 24.

● Harrison Electronics, Inc.
Aug. 6 it was reported that the company plans to register 133,000 shares of common stock (no par). **Price**—$3 per share. **Proceeds**—For working capital and expansion of plant facilities, and for hiring more engineers. **Office**—Newton, Mass. **Underwriter**—G. Everett Parks & Co., Inc., 52 Broadway, New York. **Offering** — Expected in late September. **Registration**—Expected week of Aug. 31.

Hawaiian Telephone Co.
Aug. 3 it was reported company has received approval from the Territorial Public Utilities Commission to issue 209,000 shares of common stock, to be offered first to stockholders on the basis of one new share of common stock for each seven shares held. **Underwriter**—None.

Hawaiian Telephone Co.
Aug. 3 it was reported company received approval from the Territorial Public Utilities Commission to issue about $4,500,000 of new bonds. Last bond issues were placed privately.

★ Hoffman Electronics Corp.
Aug. 25 it was reported that there is a possibility that this company may issue and sell some additional stock. **Underwriter**—Blyth & Co., Inc., New York.

★ Jostens, Inc.
Aug. 25 it was reported that an offering of 275,000 to 300,000 shares of class A common stock is planned. **Proceeds** — To selling stockholders. **Underwriter** — A. G. Becker & Co., Chicago and New York. **Registration**—Expected sometime this week.

Kansas City Power & Light Co.
Dec. 29 it was reported that the company plans to issue and sell $20,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman, Dillon, Union Securities & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). **Bids**—Expected later in the year.

Manchester Bank of St. Louis (Mo.) (10/8)
Aug. 19 it was reported that the bank's stockholders will vote on Oct. 6 to approve a 2-for-1 stock split of its 75,000 outstanding shares of common stock (par $20), a 3½% stock dividend on the 150,000 shares of new common stock (par $10) outstanding, if approved, would be payable on or about Nov. 2. An offering of 45,000 shares of additional common stock (par $10) would be issued to stockholders of record on or about Oct. 8, 1959; rights to expire on or about Oct. 22. **Proceeds**—To increase capital and surplus. **Underwriter**—G. H. Walker & Co., St. Louis, Mo.

Maritime Telegraph & Telephone Co. Ltd.
Aug. 17 the Nova Scotia Board of Commissioners of Public Utilities approved a subscription offering by this company to its stockholders of 264,013 shares of common stock, to be offered on the basis of one new share of common stock for each seven shares held of record July 24. Warrants will expire Sept. 30. **Price**—$13 per share. **Proceeds**—For capital expenditures. **Underwriter**—None.

★ National Mail Order Co., Lansing, Mich.
Aug. 26 it was announced company plans to register in a few days an issue of about $500,000 of common stock. **Price** — To be supplied by amendment. **Proceeds** — For expansion and working capital. **Office**—130 Shepard St., Lansing, Mich. **Underwriter**—To be named later in New York State.

New England Telephone & Telegraph Co. (9/21)
July 21 directors approved the issuance and sale of $45,000,000 of 35-year debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids**—Expected to be received on Sept. 21.

New England Telephone & Telegraph Co.
Aug. 19 it was reported that the company will issue and sell $10,000,000 of preferred stock. **Proceeds**—For capital expenditures. **Underwriter** — To be determined by competitive bidding. Probable bidders: Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith Inc. and Eastman, Dillon, Union Securities & Co. (jointly); Equitable Securities Corp., Kidder, Peabody & Co., Lee Higginson Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc. **Bids**—Expected to be received sometime in December.

North American Equitable Life Assurance Co.
Dec. 1 it was announced that the company plans an offering of 950,000 shares of capital stock. **Price — $10 per share. Proceeds—To increase capital and surplus. Underwriter—John M. Tait & Associates, Cincinnati, Ohio**

Northern Natural Gas Co. (10/1)
July 31 it was reported that the company plans the issuance of about $20,000,000 of debentures. **Proceeds**—To finance a part of the company's construction program. **Underwriter**—Blyth & Co., Inc., New York.

Northern Natural Gas Co. (10/1)
July 31 it was announced that this company has applied to the Nebraska State Railway Commission for authority to issue up to 200,000 shares of preferred stock (par $100). **Proceeds**—For capital expenditures. **Underwriter**—Blyth & Co., Inc., New York.

Philadelphia Electric Co. (10/14)
Aug. 5 it was reported that the company is planning to file with the Securities & Exchange Commission and the Pennsylvania P. U. Commission $50,000,000 of 30-year bonds. **Proceeds**—To help finance the company's construction program. **Underwriter**—To be determined by competitive bidding: Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co., Eastman Dillon, Union Securities & Co., Merrill Lynch, Pierce, Fenner & Smith Inc., and White, Weld & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. (jointly). **Bids**—Expected to be received on Oct. 14.

Puget Sound Power & Light Co. (10/28)
May 15, Frank McLaughlin, President, announced company plans to issue and sell first mortgage bonds reportedly in the amount of $20,000,000, later in the year. **Proceeds**—To reduce bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc.; Stone & Webster Securities Corp.; The First Boston Corp. and Smith, Barney & Co. (jointly). **Bids**—Expected to be received on Oct. 28. **Registration**—Planned for Sept. 21.

Random House Inc.
Aug. 3 it was reported that the company plans some additional financing. **Business**—New York publishing firm. **Underwriter**—Allen & Co., New York.

★ Roulette Records, Inc.
Aug. 26 it was announced that the company intends to file 300,000 shares of common stock (par one cent). **Price**—$3.50 per share. **Proceeds**—For expansion. **Office**—659 10th Avenue, New York City. **Underwriter**—Chauncey, Walden, Harris & Freed, Inc., 580 Fifth Ave., New York, N. Y. **Registration**—Expected today (Aug. 27).

Ryder System Inc.
Aug. 3 it was reported that the company plans issuance this Fall of an additional 75,000 shares of present common stock (par $5), or 150,000 shares of new common stock (par $2.50). The ICC has approved the proposed two-for-one stock split. **Underwriter**—Blyth & Co., Inc., New York.

South Carolina Electric & Gas Co.
June 22, S. C. McMeekin, President, announced plans to sell approximately $8,000,000 of bonds in December, 1959. **Proceeds**—To repay bank loans incurred for current construction program. Previous issues have been placed privately.

★ Southern Bell Telephone & Telegraph Co. (10/20)
Aug. 24 company announced it plans to issue and sell $70,000,000 of 35-year debentures. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Oct. 20. **Registration** — Planned for late September.

Southern Pacific Co. (8/27)
Bids will be received up to noon (EDT) on Aug. 27 for $6,000,000 of equipment trust certificates, maturing in 15 equal annual instalments, commencing Aug. 1, 1960. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Sylvania Electric Products, Inc.
Aug. 19 it was reported that this division of General Telephone & Electronics Corp. is preparing to borrow $25,000,000 in its own name. The division is planning the sale of 25-year sinking fund debentures. **Underwriter**—Paine, Webber, Jackson & Curtis, New York. **Offering**—Expected sometime late in September.

★ Transwestern Pipe Line Co.
Aug. 25 it was reported that this company expects to issue and sell $40,000,000 to $50,000,000 of new securities, probably in units. **Proceeds**—To build a pipe line from West Texas to the Arizona-California border. **Underwriters**—Lehman Brothers and Merrill Lynch, Pierce, Fenner & Smith Inc., both of New York.

★ Wabash R R. (9/2)
Bids will be received by the company up to noon (EDT) on Sept. 2 for the purchase from it of all of $1,500,000 of equipment trust certificates, series J, to be dated Sept. 1, 1959, and to mature in 15 annual instalments from Sept. 1, 1960 to Sept. 1, 1974, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

West Florida Natural Gas Co. (9/15)
July 13 it was reported that the company plans to register $1,750,000 of notes and common stock. **Underwriter**—Beil & Hough Inc., St. Petersburg, Fla.

★ Western Massachusetts Electric Cos. (10/21)
Aug. 25 it was reported that this company plans the issuance and sale of $8,000,000 first mortgage bonds due 1989. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; Equitable Securities Corp. and Lee Higginson Corp. (jointly); The First Boston Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc. **Bids**—Expected to be received up to 11 a.m. (EDT) on Oct. 21 at the office of the company, 201 Devonshire St., Boston, Mass.

★ World Fidelity Life Insurance Co.
Aug. 17 it was reported that the company plans to use its best efforts to register 5,000,000 shares of common stock with the SEC. **Price**—$1 per share. **Office**—314 First National Bank Bldg., Colorado Springs, Colo.

Our Reporter's Report

The complexion of the investment market has undergone something of a change this week in consequence of developments which have tended to promote a bit more caution on the part of prospective buyers.

Perhaps the most important immediate influence tending to slow down the markets, both secondary and new issue, is the very obvious building up of the calendar for the weeks and months ahead. This development naturally gives the potential investor a feeling of greater security against the possibility of being "left behind" so to speak.

It tends to assure enough in the way of new corporate investments to go around and so brings a halt to the somewhat aggressive demand which had been apparent, chiefly in the new capital market, until a week or so ago.

On top of that, there has been renewed stiffening in basic money rates which naturally has served to generate discussion about the possibilities of another markup in the Federal Reserve Rediscount rates and in the rates charged by commercial banks to prime corporate borrowers.

The Treasury, this week, paid the highest rate on bills in more than a generation — 3.824%—well above the prevailing central bank rate, while both commercial paper and bankers' bill yields have been advanced again.

Accordingly, those with funds to invest in volume naturally are disposed to go slowly in the belief that yields in the weeks ahead will be at least as good, if not a shade better, as those now being offered.

Pacific Gas 5s

One of the first big operations to reflect the letdown in demand was Pacific Gas & Electric Co.'s $65 million of new bonds, due 1991, on which the bids of major banking groups were separated by only 40 cents a bond or little more than $25,000 for the entire deal.

Both groups specified a 5% interest rate with the winning aggregation paying the company a price of 99.36 and the runner-up offering 99.31999.

Reoffering of the issue, priced at 100 to yield 5%, reportedly found investors a bit on the cool side, presumably said market observers, because the issue carried no protection against the possibility of an early call for redemption.

GMAC Debentures Move

That the non-callable clause carries plenty of authority with investors these days was indicated by the hearty welcome accorded General Motors Acceptance Corp.'s $125 million of 21-year debentures carrying a 5% coupon rate and priced at 100.

This one was, of course, a negotiated deal permitting bankers and the company to meet the indicated demands of institutional investors more readily than in the case of a competitive bidding operation.

But the non-callable provision for five-years, plus the off-the-beaten-path maturity undoubtedly were factors which helped to stir investor interest in this big one.

Makes a Difference

Decision to put the General Motors Acceptance Corp.'s $125 million of new debentures on the market this week instead of next week as originally scheduled surely brought a shift in the totals for each period.

It swelled the current week's total of offerings but just about impoverished the figure for the ensuing week unless some business that has been kept on the slow burners is speeded up.

The only issue of size on tap for next week is Associated Investment Co.'s $50 million of new debentures now on the slate for Monday, naturally by the negotiated route.

DIVIDEND NOTICES

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N.Y.

August 21, 1959

At the meeting of the Board of Directors of Kennecott Copper Corporation held today, a cash distribution of $1.50 per share was declared, payable on September 24, 1959, to stockholders of record at the close of business on September 3, 1959.

PAUL B. JESSUP, *Secretary*

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 181

A dividend of ONE DOLLAR a share has been declared on the capital stock of this Company, payable October 1, 1959, to stockholders of record at the close of business on September 15, 1959. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

DIVIDEND NOTICES

CSC COMMERCIAL SOLVENTS *Corporation*

DIVIDEND NO. 99

A dividend of five cents (5c) per share has today been declared on the outstanding common stock of this Corporation, payable on September 30, 1959, to stockholders of record at the close of business on September 4, 1959.

A. R. BERGEN
Secretary.

August 24, 1959.

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 44 cents per share on the Common Stock of the Company, payable October 1, 1959 to stockholders of record at the close of business September 1, 1959.

D. W. JACK
Secretary

August 21, 1959

DIVIDEND NOTICES

SUNDSTRAND

SUNDSTRAND CORPORATION

DIVIDEND NOTICE

The Board of Directors declared a regular quarterly dividend of 25¢ per share on the common stock, payable September 19, 1959, to shareholders of record September 10, 1959.

G. J. LANDSTROM
Vice President-Secretary

Rockford, Illinois
August 21, 1959

THE COLORADO FUEL AND IRON CORPORATION

Dividend Notice

The Board of Directors of The Colorado Fuel and Iron Corporation today, Thursday, August 20th, declared a 2 percent common stock dividend payable October 8, 1959 to common stockholders of record on September 1, 1959.

The Board of Directors also declared the regular quarterly dividend of 62½ cents per share on the series A $50 par value preferred stock, and 68¾ cents per share on the series B $50 par value preferred stock.

These dividends are payable September 30th to holders of record at the close of business on September 1st.

Those common stockholders who are entitled to receive fractional-share interests as a result of the common stock dividend will be given an option to sell their fractional-share interests or to buy a fractional-share interest sufficient to round out their stock dividend to the nearest full share. The Marine Midland Trust Company of New York has been appointed agent for handling such purchases and sales, which will be made at the instruction of, and for the account and record of, such holders.

The period in which such sales or purchases may be made will expire on November 12, 1959.

Any fractional-share interests remaining outstanding after November 12, 1959 will be sold and the cash proceeds forwarded to the holders of fractional-share interests.

D. C. McGREW, Secretary

DIVIDEND NOTICES

ROBERTSHAW-FULTON CONTROLS COMPANY

Richmond, Va.

PREFERRED STOCK

A regular quarterly dividend of $0.34375 per share has been declared on the $25.00 par value 5¾ per cent Cumulative Convertible Preferred Stock payable September 20, 1959 to stockholders of record at the close of business September 10, 1959.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable September 21, 1959 to stockholders of record at the close of business September 10, 1959. The transfer books will not be closed.

August 19, 1959

JAMES A. WITT
Secretary

AMPHENOL ★ BORG ★

DIVIDEND NOTICE

CHICAGO—At a meeting of the Board of Directors of Amphenol-Borg Electronics Corporation held today a quarterly dividend of thirty-five (35¢) per share was declared, payable September 30, 1959, to the stockholders of record at the close of business September 16, 1959.

FRED G. PACE, *Secretary*

August 25, 1959

DIVIDEND NOTICES

GEORGE W. HELME COMPANY

9 Rockefeller Plaza, New York 20, N. Y.

On August 26, 1959, a quarterly dividend of 43¾ cents per share on the Preferred Stock and a dividend of 40 cents per share on the Common Stock, were declared, payable October 1, 1959, to stockholders of record at the close of business September 11, 1959.

P. J. NEUMANN, Secretary

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 178 of fifty cents (50¢) per share on the common stock, payable October 15, 1959, to stockholders of record at the close of business on September 15, 1959.

GERARD J. EGER, Secretary

UNITED GAS CORPORATION

SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of the Corporation, payable October 1, 1959, to stockholders of record at the close of business on September 10, 1959.

B. M. BYRD
Secretary

August 25, 1959

UNITED GAS
SERVING THE
Gulf South

CONTINENTAL BAKING COMPANY

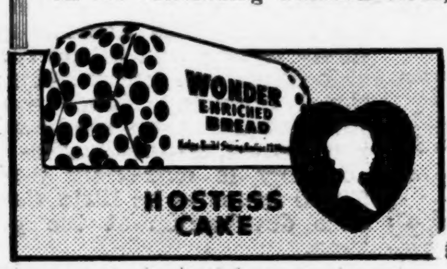
Preferred Dividend No. 83

The Board of Directors has declared this day a quarterly dividend of $1.37½ per share on the outstanding $5.50 dividend Preferred Stock, payable October 1, 1959, to stockholders of record at the close of business September 11, 1959.

Common Dividend No. 58

The Board of Directors has declared this day a regular quarterly dividend, for the third quarter of the year 1959, of 55¢ per share on the outstanding Common Stock, payable October 1, 1959, to holders of record of such stock at the close of business September 11, 1959.

The stock transfer books will not be closed.



WILLIAM FISHER
TREASURER

August 26, 1959

QUALITY

The American Tobacco Company

220TH PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on October 1, 1959, to stockholders of record at the close of business September 10, 1959. Checks will be mailed.

August 25, 1959

HARRY L. HILYARD
Vice President and Treasurer

© A. T. Co.

DIVIDEND NOTICE

FLORIDA POWER & LIGHT COMPANY

MIAMI, FLORIDA

A quarterly dividend of 22c per share has been declared on the Common Stock of the Company . . . payable September 22, to stockholders of record at the close of business on August 28, 1959.

Robert H. Fite
President

P. O. BOX 3100, MIAMI 1, FLA.

Atlas Corporation

33 Pine Street, New York 5, N. Y.

Stock Dividend Declared on the Common Stock

Directors of Atlas Corporation have declared a 5% dividend on the outstanding Common Stock payable in Common Stock on October 15, 1959 to stockholders of record at the close of business September 15, 1959.

Stockholders receiving a fractional share interest will have until November 15, 1959 to sell the same or to acquire an additional fractional share interest to make up a full share.

Stockholders may at any time prior to close of business November 15, 1959 sell to the Company up to 15 shares of the stock so received as a dividend without incurring brokerage and similar selling expense.

WALTER G. CLINCHY,
Treasurer

August 25, 1959

Atlas Corporation

33 Pine Street, New York 5, N. Y.

Dividend No. 13 on 5% Cum. Preferred Stock

- Regular quarterly of 25¢ per share
- Payable September 15, 1959
- Record September 4, 1959

WALTER G. CLINCHY,
Treasurer

August 25, 1959

Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

ORIGINAL PREFERRED STOCK
Dividend No. 201
65 cents per share;

CUMULATIVE PREFERRED STOCK, 4.32% SERIES
Dividend No. 50
27 cents per share.

The above dividends are payable September 30, 1959, to stockholders of record September 5. *Checks will be mailed from the Company's office in Los Angeles, September 30.*

P. C. HALE, *Treasurer*

August 20, 1959

Edison

Washington and You

BEHIND-THE-SCENES INTERPRETATIONS FROM THE NATION'S CAPITAL

WASHINGTON, D. C. — A Mississippi Congressman one morning recently drove his new red Rambler to Washington's busy National Airport and boarded a non-stop plane for the biggest city in his district to make a couple of talks.

Representative John Bell Williams went home to be one of the principal speech-makers at ground breaking ceremonies marking the inauguration of a construction of a brand new modern airport in growing Metropolitan Jackson, Miss.

That afternoon the hard-hitting Congressman limped up the steps of an improvised platform, along with other dignitaries, and made a talk. There, in an abandoned field 12 miles from the downtown section of Mississippi's Capital City, the city of Jackson is going to build a jet-age airport.

That night Representative Williams drove to a lodge on the Pearl River and ate barbecue chicken and beef, and ears of corn roasted in foil. Then the ranking Democrat on the House Interstate and Foreign Commerce Committee rose in the rustic setting and addressed a gathering of civic and air-minded citizens of the community, along with two officials of the Federal Aviation Agency.

There was nothing unusual about Jackson breaking ground for a new airport in an adjoining county which the taxpayers of the city will pay for primarily. It is being done by cities all over the country. The new airports are being built farther away from the central cities to avoid congestion and the attendant increased noise that marks the jet aircraft.

Of course, Jackson and the hundred and one other cities that are building and getting ready to expand facilities into jet-age airports, are not as fortunate as metropolitan Washington. Congress has already appropriated more than $90,000-000 for the world's most modern international airport which is to be called the John Foster Dulles International Airport in honor of the late distinguished statesman and Secretary of State.

To reach this mighty airport which is being built outside of the Virginia "Blue Ridge" countryside involving three counties of the Old Dominion, multi-laned super expressways will be built from Washington to the airport 17 miles away.

Many Airports Antiquated

Because of the fantastic growth of air travel, many airports are antiquated. That is why some of the things said at Jackson by the Congressman and Federal Aviation officials were of importance in the overall national picture.

Representative John Bell Williams is more than qualified to make some pertinent observations when he starts speaking about air travel, airports, and airplanes.

After receiving his law degree, Mr. Williams became an air cadet. Not many months later he was a World War II pilot. Then while flying overseas in South America his bomber, the "Ole Miss Rebel" crashed.

His entire crew was killed. Even the plane's mascot, a little dog, perished. John Bell Williams was thrown clear of the plane, a badly mangled young man. He lost an arm and part of a leg. He was hospitalized for a long, long time.

But he never lost faith and determination. He came to Congress in 1946 and he has been here ever since, and he probably can stay for a long time. Leaders of various political factions of Mississippi are practically unanimous that Mr. Williams could have been elected governor of Mississippi this year hands down, but he declined to make the race. He says he has plenty of time in the years ahead to run for governor of Mississippi, should he decide to run for that post or the United States Senate. He is only 40 years old.

The aviation industry perhaps has no better friend in elective office today than the No. 2 man on the House Interstate and Foreign Commerce Committee. It is under his subcommittee that nearly all important aviation matters come first for consideration. There are going to be many important matters coming before this committee within the next three years.

Need for Safety Devices

Some big things are shaping up for the aviation industry. The Federal Aviation Agency, an old agency that took on a new name only this year, has blue-printed a vast radar safety system for the United States. The cost will be astronomical, but it is absolutely necessary.

In addition to the air travel growth, the speed of airplanes is increasing all the time. The commercial airplanes are getting swifter and swifter. Within five years one of the big aviation corporations will have an airliner ready to fly from Los Angeles to New York in about an hour.

It all sounds fantastic and it is. Thus, it is vital that a safety radar system be set up for safety sake. With planes flying 500 and 600 and 700 miles an hour now, safety becomes more and more of importance. A plane flying 500 miles an hour, meeting another craft flying 500 miles an hour means that for safety purposes a speed of 1,000 miles an hour must be coped with now. So when the day comes that planes fly 1,000 miles an hour in opposite directions, all the safety devices that can be mustered by engineers must be employed to prevent crashes.

Therefore, it is going to become more and more important for planes to travel at different air levels and stay at that elevation during flight to avoid air collisions. That is why the Federal Aviation Agency is preparing to expedite plans for its mighty nationwide radar network.

Representative Williams obviously is one of the best informed members of Congress of the aviation industry and its problems. Nearly all of the airlines are making money and getting bigger. There is only one airline that is still receiving a subsidy to operate, and it is a small socalled feeder line operating in the South.

Huge Capital Outlays

The major airlines are faced with financial problems raising the necessary capital for the new equipment. Each plane now costs huge sums of money. The Pan American Airways Intercontinental plane that recently made a flight from New York's Idlewild Field to Moscow in eight hours and 53 minutes is the forerunner of still faster and bigger international craft.

The Federal Aviation Agency appears likely to take on more and more importance as a Federal agency. Perhaps someday Congress will deem it necessary to establish a Department of Transportation, like the Department of Commerce or the Department of Agriculture.

More and more people are going to spend more of their increased income in the years ahead on travel, according to some economists. The airlines, both domestic and intercontinental, will carry the bulk of the passengers.

Representative Williams, who has an airport named for him in his home town of Raymond, Miss., where his late father was a longtime druggist, has proved to be one of the biggest friends aviation has had in the American Congress despite his horrible experience as a World War II flier.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

The Security I Like Best

Continued from page 2

lina, President, is a well known banker and Mr. G. Hugo Beckman, General Manager, has been associated with the company ever since the 1950 merger.

As of Dec. 31, 1958 the total investment in buildings and plants reached US $86,328,000, including the recently completed 12-story headquarters in Mexico City. Besides earnings and depreciation funds to finance this expansion, TELMEX obtained a credit of US $4.8 million from Nacional Financiera, the Mexican Government investment bank. As the company has been unable to raise sufficient funds in the Mexican money market, the Government approved in 1953 a self-financing scheme according to which every new telephone subscriber is to buy securities in TELMEX for about US $240 at par, part in common stock and part in 8% 15-year debentures. In 1958, TELMEX raised US $5,424,-000 from the sale of securities which is almost identical with the amount sold in 1957. Since the implementation of this self-financing plan, TELMEX has been able to raise a total of better than US $27 million.

The authorized capital is Pesos 590 million, divided into 5.9 million shares of Pesos 100. par (US $8) of which 4.9 million are issued. The total funded debt as of Dec. 31, 1958 was US $43,350,000 and the legal reserve stands at US $933,613.

The tables below show price range, earnings and dividends per share for the past few years:

Price Range

	High	Low
1955	$11	$6½
1956	8	6⅞
1957	7⅜	5¾
1958	6⅝	5¼
1959	7¼	6⅜

Net Earnings
(U. S. Dollars)

	Total	Per Share
1956	$2,739,636	73¢
1957	3,368,828	84¢
1958	3,683,188	86¢

Dividends

	Amount	Date	Coupon
1957	68¢	5/2/1957	#21
1958	72¢	5/6/1958	#22
1959	80¢	5/7/1958	#23

Dividends are payable to stockholders free of Mexican tax at the offices of the First National City Bank of New York, New York City.

As of Dec. 31, 1958 the book value per share was approximately $10 per share.

TELMEX shares are traded in the New York over-the-counter market and listed on the Mexico City and Monterrey Stock Exchanges. They are available in both bearer and registered form. The registered stock is usually delivered in a Mexican name and endorsed in blank and since it also carries coupons (which are actually payable to the bearer) there is no difference between the two except for a premium in price of about ⅛th of a point in favor of the bearer stock. The registered shares are currently selling at $7⅝, providing a yield of 10½%.

There are rumors that TELMEX is endeavoring to have its shares listed on one of the New York exchanges in the not too distant future. Should this materialize, the company will be in an excellent position to raise capital in the U. S. market, which would, of course, greatly accelerate the installation of telephones throughout the Republic.

With a Mexican population of some 32 million, increasing annually at the rate of about 3%, the growth possibilities of this company appear excellent. Improvement in living standards has created an enormous demand for telephones. This demand is unlikely to be filled in the foreseeable future and may require additional financing. Since the majority of the shares are now Mexican owned, nationalization of the company is extremely unlikely. There seems to be little risk of a peso devaluation at the present time.

Today, Mexico's economic and political position is the soundest in Latin-America and the Government is friendly towards foreign capital. Industrialization is advancing by giant strides and will tend to reduce the country's import dependence (at present Mexico imports yearly more than US $900 million worth of goods from the United States).

An investment in TELMEX stock should, in my opinion, be rewarding both for high return and unusual growth potential.

The above information was obtained from sources believed reliable, but is in no way guaranteed. Peso figures were translated into U. S. funds at the official rate of exchange of P 12.50 per dollar.